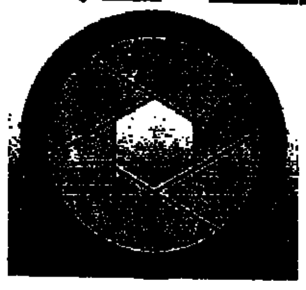
FINANCIAL TIMES

Riding the waves

Age of inflation gives way to stability



Book review, Page 14

Japanese cinemas

Multiplexes multiply in foreign invasion

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Algeria votes

Will the poll end the violence?

Page 15

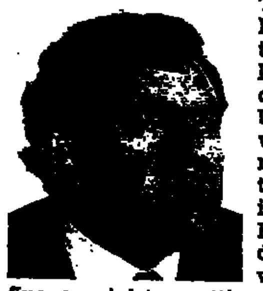
Some like it hot

Plants can beat the heat

Technology, Page 12

World Business Newspaper http://www.FT.com THURSDAY JUNE 5 1997

UK demands more labour flexibility in European Union



The UK government launched a programme to increase labour market flexibility throughout the European Union and said it would block a proposed new employment chapter in the EU's treaty if it threatened jobs. Finance minister Gordon Brown (left) has written to all EU finance ministers setting out a three-point initiative called "Getting Europe to Work" for European job creation, which will be the UK's main priority when it takes up the EU presidency next year. Page 16

Backing for Belgian merger: A merger of two of Belgium's biggest companies, Tractebel and Electrabel, to create a BFr650bn ($18.5bn) utility which would dominate Belgian electricity and gas was urged by the Belgian government. Page 17

Gazprom poised to miss debt deadline: Gazprom, Russia's biggest company, is set to miss the June 10 deadline to pay off more than $1bn in back taxes in a development that could add to the vulnerability of its embattled management. Page 17

Ireland grants oil licences: The Dublin government awarded oil exploration licences to 11 foreign consortia for the Rockall Trough, 650 miles west of Ireland, one of the five key exploration areas in the world. Page 6

Italy moves to overhaul government: Italy took the first step towards an overhaul of the executive with a decision to introduce a French style semi-presidential system of government. Page 2

Deutsche Telekom plans music sales: Deutsche Telekom, Europe's largest telecoms group, is in talks with German record companies on a trial service enabling customers to buy music at home using their personal multimedia computers. Page 2

New York likely to trade in sixteenths: The New York Stock Exchange's board of directors is expected to vote on a shift to trading stocks in increments of sixteenths, instead of eighths, following similar moves by the rival Nasdaq market and other US exchanges. Page 7

BT and MCI secure $10bn loan: British Telecommunications and MCI, the US telecoms company, secured a $10bn loan in one of the mostly tightly priced deals to reach the syndicated loan market. The loan will be used to launch global telecommunications company Concert. Page 17

Iraq's oil-for-food deal extended: The United Nations Security Council approved a six-month extension of the Iraqi oil-for-food programme. Iraq will be permitted to sell a further $2bn of oil to finance food and humanitarian supplies. Syria reopens border, Page 4

Foreigners leave Freetown: France evacuated more foreigners from Freetown and Sierra Leoneans streamed out to the provinces as Ghana tried to avert a showdown pitting Nigeria against coup leaders and their rebel allies. Page 4

China invests to secure oil supply: China's national oil company will pay $4.3bn for a 60 per cent stake in Kazakhstan's Aktyubinsk oil company in a move aimed at securing long-term supplies. Page 16

Japan investigates stockbrokers: Japan's securities watchdog said that criminal investigators were inspecting three of the country's largest stockbrokers, following Nomura Securities' allegedly illicit dealings with gangsters. Page 16

McDonald's abandons cheap burger: US fast food chain McDonald's has been forced into an about-turn over its 55-cent hamburger promotion, because of poor sales and signs of revolt among the franchisees who run most of its US restaurants. Page 21; Lex, Page 20

Phone hotline seeks double agents: Russia's secret service has set up a telephone hotline aimed at enticing Russians working as spies for outside powers to turn into double agents for the motherland. Page 2

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7285.98	(-23.17)
NASDAQ Composite	1361.52	(-3.39)
Europe and Far East		
CAC40	2635.37	(+10.88)
DAX	3661.84	(+36.10)
FTSE 100	4587.1	(-0.7)
Nikkei	20611.56	(+48.40)

■ US LUNCHTIME RATES

Federal Funds	5.5%
3-mth Treas Bills: Yld	5.003%
Long Bond	96%
Yield	6.867%

■ OTHER RATES

UK: 3-mo Interbank	6⅝%	(6⅝%)
UK: 10 yr Gilt	100¾	(101.3)
France: 10 yr OAT	98.01	(98.31)
Germany: 10 yr Bund	101.39	(101.21)
Japan: 10 yr JGB	103.3271	(103.01)

■ NORTH SEA OIL (Argus)

Brent Dated	$18.39	(18.58)

■ GOLD

New York: Comex	$340.9	(343)
London: close	$342.05	(343.15)

■ DOLLAR

New York: lunchtime		
£	1.6265	
DM	1.73175	
FFr	5.8395	
SFr	1.44655	
Y	116.305	
London:		
£	1.6286	(1.6361)
DM	1.7294	(1.7261)
FFr	5.832	(5.823)
SFr	1.4446	(1.4351)
Y	116.14	(116.1)
Tokyo close	Y 116.2	

■ STERLING

DM	2.8182	(2.824)

9 770174 736142 23

[illegible]

Jospin names his new cabinet

Communists and Greens join French government

By Andrew Jack and David Owen in Paris

Mr Lionel Jospin, France's newly-elected Socialist prime minister, yesterday formed a smaller than expected 14-member cabinet which includes five women and two Communists.

One of the most influential roles in the new government goes to Mr Dominique Strauss-Kahn, who takes charge of a super-ministry to cover finance, economics and industry with four junior ministers reporting to him.

Other top appointments include Ms Martine Aubry, who will head another super-ministry of employment and solidarity. Ms Aubry – daughter of Mr Jacques Delors, former European Commission president – will officially rank second after the prime minister. Ms Elisabeth Guigou becomes number three in the ranking as justice minister. Mr Hubert Védrine, secretary general of the Elysée Palace under François Mitterrand, becomes foreign minister.

Mr Alain Richard becomes minister of defence and Mr Jean-Pierre Chevènement, leader of the eurosceptic Citizens' Movement, is to be interior minister.

Among the other minority parties in the Socialist-led government, Ms Dominique Voynet, head of the Green party, is to be planning and environment minister. The Communist party, which agreed to participate in government yesterday morning, received two minor cabinet positions, one responsible for housing and transport, the other for youth and sport.

Ms Catherine Trautmann, mayor of Strasbourg, has been given the high-profile position of government spokeswoman in addition to the culture and communications portfolio.

One of the most important of the junior ministerial positions - responsibility for European affairs within the foreign ministry - goes to Mr Pierre Moscovici, principal draughtsman of the Socialists' economic election manifesto.

The number two at education, in charge of teaching in schools, will be Ms Segolène Royal. With two assistant ministers and 10 juniors, who will attend cabinet meetings but not vote, the government of 26 includes eight women and 18 members of the Socialist party with the Communists holding three positions. Several of the new ministers had cabinet experience during the Socialist governments of the 1980s.

The appointments came as in-fighting intensified in the Gaullist RPR party in the wake of its electoral defeat. The battles have thrown into severe doubt the likelihood that Mr Alain Juppé, the outgoing prime minister, will remain the party president.

A group of leading RPR politicians including Mr Edouard Balladur, the former prime minister, Mr Nicolas Sarkozy, his spokesman and finance minister, and Mr Charles Pasqua, his interior minister, all lent their support to Mr Philippe Séguin, currently head of the National Assembly.

In a separate development a judge placed under formal investigation three centre-right politicians in the CDS - now called Force Democrate - in relation to illegal party financing allegations.

Observer and Editorial Comment, Page 15

Waigel survives censure but still faces budget gap

By Peter Norman in Bonn

Mr Theo Waigel, Germany's finance minister, yesterday survived a parliamentary vote to dismiss him, in spite of unresolved differences in his dispute with the Bundesbank on how to plug gaps in the federal budget.

Shortly after the lower house of parliament, the Bundestag, voted down the opposition censure motion by 328 to 311 votes, the finance ministry confirmed that Mr Waigel and Mr Hans Tietmeyer, the Bundesbank president, had not yet – as initially reported the previous day – agreed that gold reserves should be revalued this year, or that proceeds from a new valuation should flow to Bonn in 1998.

Mr Waigel had been counting on the proceeds to meet, in 1997, the criteria for European economic and monetary union laid down in the 1992 Maastricht treaty.

The minister and the central bank chief had moved closer on the issue of revaluing the Bundesbank's foreign currency reserves during their meeting in Bonn on Tuesday, the ministry said.

These statements came too late to affect the Bundestag vote, although opposition speakers had challenged the government with overnight statements from Mr Tietmeyer in which he said he had not discussed gold with Mr Waigel.

The minister's fate, which was never in serious doubt after Tuesday's apparent breakthrough, was assured once Mr Helmut Kohl, the chancellor, gave his support in a morale-boosting speech.

However, Mr Waigel, who is also leader of the Christian Social Union party, later came in for sharp criticism from party colleagues in the Bavarian state parliament. And, separately, Mr Edmund Stoiber, CSU prime minister of Bavaria, raised the prospect of a delay to economic and monetary union, saying it should not be a taboo.

The government's council of economic advisers also chose yesterday to publish a letter, sent last month to Mr Kohl, in which it criticised Mr Waigel's plans for gold revaluation and the sale of more Deutsche Telekom shares as "inappropriate" for solving the problems of Germany's public finances.

At the end of the four-hour debate, there was little to be seen of Mr Waigel's usual good humour. His face was grim as he gave television interviews.

He and Mr Kohl had been

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Waigel fails to clear budget fog, Page 3; Eurofighter, Page 3; Observer, Page 15

● Leaders of Europe's information technology industry have warned they may not be able to cope with the twin demands of revising computer systems for the planned start of Emu in 1999 and solving the "millennium bomb" problem. Mr Rob Wirszycz, of the UK's Computing Services & Software Association, said: "The Emu start-date can be moved but the millennium cannot." Report, Page 2

More than 50,000 people attended a vigil in Hong Kong yesterday to commemorate the 1989 massacre of students during pro-democracy protests in Beijing's Tiananmen Square. Another rally is planned for July 1 Report, Page 8 Picture: Reuter

AA hints at deal to secure tie-up

By Bruce Clark in Washington and Michael Skapinker in London

American Airlines, in a hint of compromise that could clear the way for its alliance with British Airways, yesterday welcomed a congressional report that suggested giving other US carriers more slots at London's Heathrow airport.

The BA/AA link-up would be one of the most powerful alliances in aviation history, carrying more than 60 per cent of traffic between the US and UK.

The General Accounting Office, the investigative arm of the US legislature, said other US carriers should be entitled to an extra 23 round trips to London's Heathrow airport per day as part of any deal allowing the alliance to go ahead. The GAO recommendation is far higher than the 12 round trips a day, or 168 weekly take-offs and landings, suggested by the UK Office of Fair Trading.

The proposed alliance, announced nearly a year ago, envisages much co-operation and revenue sharing.

Mr Robert Crandall, American Airlines' chairman, said the GAO's proposal did not imply any sacrifice of landing rights by his company or BA.

"Slots will be available from a variety of sources. They need not come from BA or AA," said Mr Crandall. Rival US carriers could already buy slots that were under-used or obtain them from their European partners, said Mr Crandall at a joint news conference with Mr Robert Ayling, the British Airways chief executive.

The GAO report suggests the extra slots would come from a mixture of divestiture by the two airlines and other carriers. The report says rival carriers

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Surplus demand as Brazil launches $3bn global bond

By Edward Luce and Geoff Dyer in São Paulo

Brazil yesterday launched the largest global bond ever to be issued by an emerging market borrower in a deal which was three times the size expected by the markets.

Bankers said that the 30-year $3bn bond, which was heavily oversubscribed, demonstrated strong investor confidence in Brazil.

"Investors have been willing to take a big bet on Brazil by subscribing to an unsecured 30-year bond offering," said Mr Chip Seelig, head of emerging markets debt at Goldman Sachs in New York.

The size of the offer was based on the strong response to Brazil's invitation last month to swap existing Brady bond debt – bonds issued in place of distressed commercial loans in 1994 – for its new uncollateralised bond. The Brady swap, which was expected to total between $1bn and $2bn dollars, far exceeded expectations and the size of previous swap operations undertaken last year by Mexico and the Philippines.

J.P. Morgan, which jointly managed the deal with Goldman Sachs, said there was also strong cash demand for the global bond, with bids of more than $16bn submitted in the last fortnight.

The bond, priced to yield 3.95 percentage points over 30-year US Treasury bonds, was traded heavily in New York yesterday. Its spread over US Treasuries tightened to about 3.7 percentage points in the secondary markets after strong buying by US and European fund managers.

"There was very strong demand for the paper but it was priced very attractively at 395 basis points over Treasuries," said Mr Albert Van Hess at Citibank Global Asset management in New York.

"The fact that it was such a large, and therefore liquid [easily traded], issue was also a pulling factor."

Economists in Brazil said the success of the bond issue reflected the substantial reduction in Brazilian sovereign risk over the past two years after reforms have brought inflation under control, produced steady economic growth and improved the distribution of wealth.

However, the failure of the government to pass constitutional reforms aimed at reducing the fiscal deficit has caused a number of analysts to strike a note of caution about Brazil in recent weeks.

Mr Arturo Porzecanski, Americas chief economist at ING Barings in New York, said: "It is hard to imagine a further reduction in Brazil's sovereign risk in the near future. Quite the contrary, we are likely to witness an increase in country risk from now on, especially next year."

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Italy plans direct presidential elections

By Robert Graham in Rome

Italy took the first step yesterday towards a radical overhaul of government with a decision to introduce direct elections for the office of president.

The move was approved yesterday by 36 votes to 31 with three abstentions by a constitutional reform commission drawn from both houses of parliament. It completely alters the system in force since 1948 – designed after the fascist dictatorship to prevent too much power being held by one person.

The change is also a blow to the government parties. These had favoured reinforcing the powers of the prime minister through direct elections, leaving the head of state with a role similar to his current one – a symbol of national unity, with powers of moral suasion and the ability to dissolve parliament.

But the circumstances in which the decision has been taken risk undermining its credibility and will complicate agreement on its introduction.

The weight of voting was changed at the last minute because representatives of the populist Northern League in the commission decided to participate. Since the commission started sitting in February the League – which advocates the secession of the north from the rest of Italy – has boycotted all sessions.

The outcome represents a personal reverse for Mr Massimo D'Alema, the leader of the Party of the Democratic Left (PDS), which is the dominant partner in the government.

Mr D'Alema, who headed the constitutional reform commission, not only failed to push through the favoured option of his allies but was also unable to forge a bipartisan deal on the future powers of the executive.

"D'Alema has got everything wrong," observed Mr Achille Occhetto, the former PDS leader who was one of three abstaining in yesterday's vote. He added: "The League operated solely on the basis of seeing which grouping could be most harmed and then cast its vote."

Mr Fausto Bertinotti, leader of the hardline Reconstructed Communism (RC), said the vote was disastrous and vowed to prevent its implementation.

Mr D'Alema himself tried to put on a brave face on the vote, commenting tartly to journalists: "This is a step forward."

In contrast Mr Silvio Berlusconi, leader of the rightwing opposition said: "We can feel pleased with this vote since we were the first to demand a reform that ensured the person with responsibility at the top in this country was not simply an expression of the parties but elected directly by the citizens and deriving legitimacy from this."

Similar comments came from Mr Gianfranco Fini, head of the rightwing National Alliance (AN), and the driving force behind the introduction of presidentialism.

The battle will now hinge on whether the new president is elected on a majority vote in one round or if, as in France, there is a second ballot run-off. The PDS is probably ready to support "semi-presidentialism" provided there is a second round – a move opposed by the right. Without agreement on the electoral system, parliament will lack the two-thirds support necessary for a constitutional change and the reform could be stillborn.

The proposed system differs in a number of ways from the French model. The most important differences are that the Italian parliament will be able to remove the president on a two-thirds majority vote; the president will only be able to dissolve parliament in consultation with the premier and the leaders of the two houses; dissolution cannot come in the first two years of a new legislature; and in the case of "cohabitation" between a prime minister representing one grouping and a president backed by another, the president will not be allowed to attend cabinet meetings.

Deutsche Telekom in on-line music link

By Alice Rawsthorn in London

Deutsche Telekom, Europe's largest telecommunications group, is in advanced negotiations with German record companies on a trial service enabling consumers to buy music at home using their personal multimedia computers.

The trial will form part of Telekom's T-Online system, a computer-based communications network using high-speed telephone links to provide services such as online banking and internet access to homes.

Consumers with a multimedia computer will be able to dial into T-Online's digital jukebox. They can listen to 20-second samples of the music before sending an order electronically. The music will then be sent directly to their computer hard disk in digital form.

Deutsche Telekom hopes to begin limited tests in about 300 German homes later this year. A larger pilot project, scheduled to start next year, will encompass several thousand homes, making it the biggest on-line music sales system to date.

The few existing digital jukeboxes are restricted to selling music from independent record labels, whereas Deutsche Telekom is negotiating with IFPI Germany, the trade association, to include multinational music groups such as Sony, EMI, Warner, PolyGram and Bertelsmann.

Mr Peter Zombik, director of IFPI Germany, said he was convinced the system was technically feasible and had adequate controls to prevent pirate recording.

IFPI Germany hopes soon to agree a general framework with Deutsche Telekom, which will then discuss specifics with individual record companies.

Details would include whether the service will sell albums or singles, and if record companies would prefer to be paid directly by consumers, possibly through a secure electronic payment, or through an additional charge on telephone bills.

One of IFPI Germany's chief concerns has been to ensure the record companies, rather than Deutsche Telekom, act as content providers, so retaining full control of their copyrights.

This principle, which empowers record companies to decide which of their products will be available and at what price, is expected to be extended to other on-line music sales services in other countries.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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EU's Flynn takes tough line on factory closures

By Neil Buckley in Brussels

Factory closures and redundancy plans could be declared illegal if companies fail to consult their workers properly in advance, under plans being considered in Brussels.

Mr Padraig Flynn, European Union social affairs commissioner, said yesterday he wanted to reopen the question of sanctions against companies which ignore legal obligations to consult workers about lay-off plans.

The move comes after French car maker Renault's surprise announcement in February that it was closing a Belgian factory with the loss of 3,100 jobs sparking concerns that EU worker protection laws were inadequate.

The sanctions issue will be raised with the "social partners" – union and employers' organisations – in discussions launched yesterday on plans to require all EU companies to set up worker consultation committees at national level.

Unions and employers have six weeks to give their views.

The new legislation would build on the existing European Works Council directive – legislation adopted under the social chapter of the Maastricht treaty. That requires multinational companies above a certain size to set up EU-wide "works councils".

"There should be a closer look at the matter of sanctions [and] it would be my intention that this should be put to the social partners," Mr Flynn said.

The Commission's draft of the existing works council directive, published in 1991-92, included a clause allowing dismissal notices to be declared null and void if companies had not consulted workers adequately.

That proposal was thrown out by EU ministers. But commission officials suggest the Renault case and the election of left-wing governments in several EU states might soften attitudes towards sanctions.

Legislation adopted under the social chapter requires only a qualified majority among ministers.

The paper sent to the social partners includes as a "main element" for consideration "sanctions and/or arrangements to annul the legal effects on the contract or conditions of employment of decisions taken in breach of the right to consultation".

The idea could be a test of the new British government's attitude towards EU social policy.

The Labour administration has dropped the British opt-out to the social chapter. But Mr Tony Blair, prime minister, warned at his first meeting with EU leaders in the Netherlands last month that the UK would reject social measures that might impede competitiveness.

Meanwhile in France, political pressure on Renault to reconsider its position appeared to increase further when a member of the Socialist party that is set to lead the country's new left-wing government said the party was asking the company to halt the procedure to close the plant.

Socialist officials in Paris were unable immediately to confirm the party's official position, although they reiterated its opposition to the closure. The French state has 46 per cent of company's shares and five out of 14 board members.

Social affairs: Flynn plans to reopen sanctions issue

Millennium and Emu create software grief

By Nicholas Denton

The European information technology industry may join calls to postpone European monetary union unless the European Commission lays down technical guidelines for dealing with a single currency by September.

IT trade associations from 12 European countries have warned – in a letter to Mr Yves Thibault de Silguy, the European commissioner – there may be insufficient time to revise and test computer systems before the scheduled start of Emu in 1999.

The coincidence of preparing computer systems to handle a single currency and to deal with dates after the year 2000 – the so-called Millennium Bug – is putting severe pressure on staffing in the IT industry.

The task is further complicated, according to the IT industry, by the European Union's lack of speed and decisiveness in producing common guidelines on issues which affect the programming of computers, such as payment settlement.

The delay led to a heightened warning yesterday from Mr Rob Wirszycz, director general of the UK's Computing Services & Software Association, which groups 550 companies including ICL, IBM and Electronic Data Systems.

"Because timescales are tight, specifications unclear and resources at a premium, from an operational point of view we may have to re-examine the feasibility of Emu in 1999. The Emu start-date can be moved but the millennium cannot," he said.

The IT associations said haphazard rule-making and unco-ordinated software development could increase the IT cost of Emu, which is already estimated at $25bn by BZW, the investment banking subsidiary of Barclays Bank.

Russia invites spies to come in from the cold

By Chrystia Freeland in Moscow

Russia's revamped KGB has set up a 24-hour telephone hotline aimed at wooing back Russians who have strayed into the employ of foreign intelligence services.

In an example of the former bastion of communism making use of techniques pioneered by the decadent capitalist west, the hotline is an effort to entice Russians working as spies for outside powers to turn into double agents for the motherland.

As General Nikolai Kovalyev, head of the Federal Security Service (FSB), the successor to the KGB, explained in a television interview, the main sweetener in the spymasters' appeal to Russia's treacherous citizens is financial: double agents will be able to keep their pay-offs from their foreign handlers, with Moscow's approval.

Gen Kovalyev, in a sales pitch worthy of the most zealous capitalist entrepreneur, promised would-be double agents complete confidentiality. An FSB spokesman went further, telling Itar-Tass, the Russian news agency, that all Russian informers who went to work for the Kremlin would be safe from prosecution.

No KGB proposal would be credible without a hint of iron. That Gen Kovalyev provided, warning spies they should turn themselves in soon, because "sooner or later we will catch everybody".

Gen Kovalyev said the telephone appeal was an attempt to crack down on foreign spying in Russia, which he claimed had flourished in the more open, post-Soviet era. The FSB says it has caught 39 agents for foreign countries over the past two years, and 400 foreign spies.

Judging by the difficulties in getting through to the Moscow phone number 224-3500, the double-agent hotline was an instant success.

Manning the phones yesterday morning was Lieutenant-Colonel Alexander, a 20-year veteran of the Russian secret service, whose zeal for secrecy was such that he declined even to give his surname.

Col Alexander would not admit whether any "spooks" had volunteered on the hotline to be double agents. But, he said, the novelty of direct access to the KGB had attracted hundreds of callers, ranging from "the mentally unwell" to curious journalists, as well as impoverished pensioners seeking an audience for their complaints about the collapse of the Soviet Union.

This collection of oddballs would seem to be enough to try the patience of any telephone operator, particularly in Russia, a country renowned for the harshness of its telephone manners.

But Col Alexander was unperturbed. "This is my job. I am trained to listen carefully to all conversations and answer carefully," he said.

He hoped the hotline would "help people get out of a difficult situation, and that is no bad thing."

EUROPEAN NEWS DIGEST

Luzhkov wins housing deal

Mr Yuri Luzhkov, mayor of Moscow, has won the Kremlin's blessing for a special, go-slow housing reform programme, in another sign that the Russian capital has the muscle to pursue its own economic course.

Mr Luzhkov's six-point housing plan, announced in yesterday's edition of Izvestia, a Russian daily, is slower to raise the cost of rents and utilities to market levels than a more radical approach being pushed by the new reform team in the Russian cabinet.

Under the mayor's housing programme, rents and utility fees will not rise until 2000 for most Muscovites, although owners of more than two apartments will have to pay market rates next month. The plan also calls for the introduction of competitive bidding between the inefficient, largely state-owned organisations which currently maintain municipal housing. Reformers, led by Mr Boris Nemtsov, first deputy prime minister, want to raise prices to market levels more swiftly, while providing direct compensation for Russia's poorest citizens, ensuring that no family pays more than 25 per cent of its income for housing. *Chrystia Freeland, Moscow*

Holbrooke tipped for Cyprus

Mr Richard Holbrooke, who negotiated a Bosnia peace agreement, was yesterday confirmed as the new presidential emissary to Cyprus, according to officials in Washington.

Mr Holbrooke replaces Mr Richard Beattie, who was named last month by Mrs Madeleine Albright, US secretary of state, as her adviser on incorporating three foreign affairs agencies into the State Department.

Mr Holbrooke, noted for his tough bargaining style, negotiated the 1995 Dayton peace agreement which ended a 43-month civil war in Bosnia. In February last year he resigned as assistant secretary of state and took a job with Credit Suisse First Boston bank in New York. Leaders of the Greek and Turkish Cypriot communities are to hold UN sponsored talks in New York next month. *Reuter, Washington*

New jail term for Tapie

Mr Bernard Tapie, the bankrupt tycoon, was sentenced by a French appeals court yesterday to six months in jail on tax evasion charges after passing off pleasure cruises on his luxury yacht Phocea as business expenses.

The court upheld a lower court's conviction of the ex-cabinet minister a year ago for evading more than FFr12m ($2m) in taxes. It also upheld a 30-month suspended sentence for misusing company funds in underpaying the Alain Colas Tahiti (ACT) concern which owned the 74m Phocea and was part of his collapsed business empire. Lawyers said Mr Tapie had yet to decide whether to appeal to the Supreme Court.

Mr Tapie, 54, is serving an eight-month sentence for rigging a soccer match when he was the boss of former European champions Marseilles. *Reuter, Pari*

World Bank loan to Romania

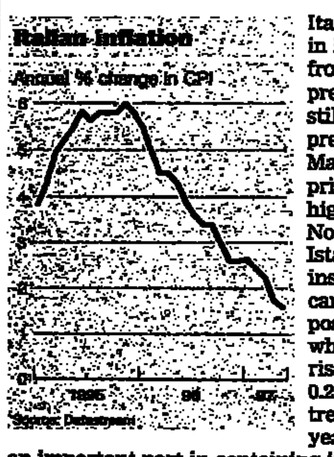
The World Bank has approved loans worth $550m to Romania to help the government with its ambitious market reforms, the bank announced yesterday.

The loans will fund improvements in social welfare, agriculture and the highway system, which are below western European standards.

The reformist centre-right government began privatising state industries, scrapping subsidies and granting benefits to foreign investors at the start of this year. Although Romanians suffer inflation at almost 90 per cent, the reforms have won praise from western lending organisations and investors. *AP, Buchares*

ECONOMIC WATCH

Italian inflation dips to 1.6%



Italy's annualised inflation in May fell to 1.6 per cent from 1.7 per cent the previous month but was still slightly higher than preliminary estimates. In May, headline consumer prices rose 0.3 per cent, the highest increase since last November, according to Istat, the official statistics institute. The main push came from an increase in postal tariffs, without which, Istat said, the May rise would have been 0.2 per cent. A downward trend in food prices this year has continued to play an important part in containing inflation. Excluding the items in the food basket from the May figures, year-on-year inflation last month was running at 2.2 per cent against 2.1 per cent in April.

Housing costs are now most out of line, rising as of May at an annualised 4 per cent. The treasury yesterday estimated inflation this year would average 2.1 per cent to 2.2 per cent. *Robert Graham, Rome*

Estonia yearns to return to European fold

The tiny Baltic republic is making a strong case for EU entry - with or without its neighbours

Two castles face each other in stony silence across the Narva, a river which has for centuries been one of Europe's great dividing lines, where Swedes fought Slavs, and Protestantism confronted Orthodox Christianity.

But this bleak Baltic town of Narva could soon be an outpost of a new frontier if Estonia is admitted to the European Union and neighbouring Russia develops in its own unique direction.

There is certainly a palpable longing in the tiny Baltic country of 1.5m people to return to the (west) European fold from which it was ripped by the Soviet invasion of 1940.

Mr Mart Siimann, Estonia's prime minister, says he hopes his country will be in the first wave of countries to be invited to start accession talks at the end of the year.

"The decision to join the EU was approved unanimously by parliament," he says. "We hope that EU membership will be decided on objective criteria. We consider that we have made all the necessary reforms."

With impressive speed, the Estonians have set about restructuring their economy along capitalist lines – resulting in growth rates of about 5 per cent a year – and recreating democratic institutions.

Since regaining its independence in 1991, Estonia has developed into a model liberal economy. It has no trade barriers, a flat tax rate of 26 per cent for both companies and individuals, no restrictions on foreign ownership, and a currency board which has linked the kroon to the D-Mark at a rate of 8:1 for almost five years.

While economic crises still dog many other parts of the former Soviet Union, the most heated debates among Estonian legislators appear to be over whether licensed taxi drivers should wear ties.

This mixture of economic liberalism and social orderliness inevitably conjures up images of a Baltic Singapore, fully deserving of EU membership. But one of the big dilemmas confronting the EU is whether Estonia's performance is so exceptional that it deserves to be invited to start accession talks ahead of neighbouring Lithuania and Latvia, which share a similar history this century.

The other dilemma is the degree to which geopolitical considerations should influence the selection of new members from the list of applicants. That list also includes the Czech Republic, Hungary, Poland, Slovenia, Slovakia, Bulgaria, Romania and Cyprus.

Germany is adamant that its eastern neighbour, Poland, should be in the first wave, even though its pace of economic reform is widely judged to lag behind Estonia's. The German government is more hesitant about the EU expanding to the Baltics for fear of upsetting Russia.

Though they express solidarity with their Baltic neighbours, Estonian officials resent being lumped in with them, and argue their country is further ahead in the transition process.

Not surprisingly, there are subtle differences of view in Latvia and Lithuania, which also hope to be among the first wave of new EU members.

Mr Piter Ustubs, head of the EU policy division at the Latvian foreign ministry, argues that all three Baltic states should be invited to start talks simultaneously, then move at their own pace towards full membership.

The Lithuanians, for their part, claim they have recently narrowed the performance gap with Estonia and now deserve to be admitted to the Union at the same time.

Nonetheless, both Latvia and Lithuania say that, though they would be disappointed, they would accept Estonia's admission ahead of themselves, provided the EU fully explained its decision and left the door open for them to join later.

If anything stalls Estonia's early admission to the EU, it is more likely to be largely unspoken concerns about the country's ethnic Russian minority and its vexed relations with its giant neighbour.

About a quarter of the 420,000 Russians who still live in Estonia have chosen to take Russian citizenship while many others remain, in effect, stateless. Though Russians descended from pre-1940 Estonian citizens can automatically claim citizenship, more recent immigrants have to pass an Estonian language test before they can qualify for a full passport.

That causes much resen ment among the inhabitant of overwhelmingly Russia towns, such as Narv although they concede th their standard of livin exceeds that in Russia. Opi ion polls show a higher pr portion of young Russian favour joining the EU tha do young Estonians.

Mr Tunne Kelam, deput speaker of Estonia's parli ment, who was forced t work as a nightwatchman o a chicken farm during th Soviet occupation, says i would be wrong to "punish Estonia for its tolerance i sheltering its Russian mino ity by denying the countr access to the EU.

He argues that Estonia ha been extraordinarily forgi ing towards the Russia minority – even allowin 10,000 Soviet army officers t remain in the country.

"It is inconceivable tha Czechoslovakia would hav allowed German Wehrmach officers to remain on thei soil after the second worl war," he says.

John Thornhill

Minister survives censure but gives no clue how he will plug the gaps

Waigel fails to clear budget fog

By Peter Norman in Bonn

The defeat of an opposition motion of censure in the Bundestag yesterday against Mr Theo Waigel, the finance minister, ensures continuity in one of Germany's most important government departments.

But very little else about the nation's public finances is clear or predictable. The minister's declaration on his handling of the proposed revaluation of the Bundesbank gold and currency reserves and his stewardship of the nation's finances lasted just 20 minutes.

Mr Waigel gave no new details about how he planned to plug yawning gaps in the federal budgets for 1997 and 1998, except to announce that future expenditures above DM1m ($590,000) would require his express permission. As in the past, he pinned his hopes on increased privatisation, mentioning the planned sale of more government shares in Deutsche Telekom, the Postbank, federal stakes in various airports, some properties and a chain of motorway service stations.

Although Mr Waigel gave no figures in parliament, he is understood to have told party colleagues that he could raise DM10bn this year and another DM10bn in 1998 through placing Telekom shares with institutions.

The lack of news in his statement was a measure of the problems he faces. Higher than expected unemployment threatens additional federal outlays of up to DM20bn this year. Tax revenues of federal, state and local authorities will be about DM9bn less than expected in January, when the government drew up its economic forecast for this year.

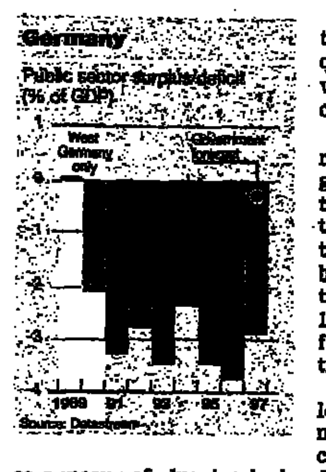
That forecast included the prediction that Germany's 1997 public deficit would be 2.9 per cent of gross domestic product, just fractionally below the 3 per cent limit specified in the Maastricht treaty as a condition for membership of Europe's economic and monetary union from January 1, 1999.

The Maastricht treaty, therefore, is one constraint on Mr Waigel borrowing more to escape from his budget problems this year. Another is Article 115 of Germany's Basic Law, which

Waigel: saving face

states that federal borrowing cannot exceed spending on investment except in an economic crisis. Mr Waigel could borrow about DM3.1bn more this year before hitting the investment level but officials doubt whether it would be possible to exceed this sum because the economy is growing at about 2.5 per cent and hence is not in crisis.

Mr Waigel would almost certainly prefer to raise taxes. But here he is constrained by the Free Democrat party, the junior coalition partner, which at its recent congress in Wiesbaden rejected tax increases



as a means of plugging budget gaps.

Some factors, however, have been moving in Mr Waigel's favour. Germany's social security funds are in better health than last year, reflecting increased deductions from wage packets. Interest rates are lower than expected. Moreover, at the federal level, much of the tax shortfall diagnosed in May had already been identified in January, when the 2.9 per cent deficit forecast was made.

In a speech on Monday, Mr Hansgeorg Hauser, the finance ministry state secretary, declared without any qualification that "Germany will meet the public deficit criterion this year".

Much greater concern surrounds the 1998 federal budget. One senior parliamentarian said yesterday that there would have to be further difficult negotiations before it was clear whether the cabinet could produce a 1998 draft budget that conformed with the constitution.

Mathematically, the outlook is bleak. The finance ministry's tax estimates committee last month predicted that next year's federal tax revenues alone would be DM14.5bn less than previously expected. Although economic growth is accelerating, there is still no sign of a significant downturn in unemployment and its associated costs.

Two rounds of talks among the coalition leaders this week failed to break an impasse arising from the FDP's determination to reject tax rises. It is a sign of the government's problems that it has quietly dropped its plan to secure cabinet approval of the 1998 budget on July 2.

Rühe sees go-ahead for Eurofighter

By Ralph Atkins in Bonn

Germany's defence minister, Mr Volker Rühe, yesterday gave his strongest assurance in recent months that Bonn would back the Eurofighter aircraft project after the country's exasperated air and space industry threatened to pull out if there was no "positive signal" within the next month.

Speaking after a meeting with Mr George Robertson, the UK's new defence secretary, in Bonn, Mr Rühe expressed confidence that the German cabinet would give the go-ahead at a meeting expected on July 11, despite the country's deteriorating public finances.

Mr Rühe had spoken earlier yesterday with Mr Theo Waigel, finance minister, and agreed "there are no more savings possible in the German armed forces". The aerospace industry reckons Bonn needs to find about DM850m ($500m) in its 1998 budget for Eurofighter.

Germany's delay in providing a formal commitment for the joint project with Italy and Spain, as well as the UK, is proving an increasing embarrassment for Bonn. It regards the aircraft as vital for its defence strategy and for its European relations; but the decision on funding for the 20-year-project has coincided with enormous pressures on federal budgets.

Mr Aloysius Rauen, responsible for the Eurofighter at Daimler-Benz Aerospace (Dasa), said patience with the German government was running out. Dasa, which has spent more than DM200m gearing up for production, had "finally reached the limit of what it can bear".

Dasa confirmed it had offered to bring forward the repayment to the government of DM1bn launch aid it received for the development of Airbus airliners. Mr Rühe said he regarded the industry's threat to pull out not as a threat but as "information" about the industrial situation. But he would not discuss whether failure by the cabinet to reach a decision in July would, in effect, kill the project.

Mr Robertson described Mr Rühe's pledges as "a step forward" and said the UK's Labour government was as committed to Eurofighter as its Conservative predecessor. But he avoided any hint that Britain might take over part of Germany's planned involvement.

British pressure on the German government is expected to continue when Mr Tony Blair, the prime minister, meets Chancellor Helmut Kohl tomorrow. The UK is expected to buy 230 Eurofighters and Germany 180. About 20,000 jobs in each country could be at stake.

Robin Allen reports from Dubai: Competition to supply up to 80 strike aircraft to the United Arab Emirates in a deal worth $6bn-$8bn has been thrown wide open again following successful evaluation tests on the Eurofighter.

According to senior western diplomats, France's Rafale fighter-bomber, made by Dassault, is also a contender for the contract, which may now be divided between some 30 Rafales and up to 50 Eurofighters. The refusal of the US administration to release all of the technology required by Abu Dhabi on Lockheed Martin's F-16 Falcon has damaged the chances of the US aircraft.

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Brussels in single market action plan

By Emma Tucker in Brussels

Phase 1
(not requiring further legislation)
● Eliminating delays in transposing single market directives (Oct 1 1997)
● Liberalisation of telecoms (Jan 1998) and electricity (Feb 1999)

Phase 2
(needs to be adopted by parliament and ministers)
● European company statute (Jan 1 1999)
● Liberalisation of gas supply (Jan 1 1999)

Phase 3
("priority treatment" to find maximum possible agreement by Jan 1 1999)
● Restrictions on pension fund investments
● Cross-border mergers
● Copyrights
● Selling of financial services
● Modernisation of VAT
● Tax package
● Freedom of movement

Greater tax harmonisation in the European Union and the abolition of internal frontier controls within three years are two of the targets set out in a European Commission action plan for completing the single market, published yesterday.

The ambitious blueprint sets out a clear timetable for plugging the holes in the internal market launched in 1993, but still plagued by barriers to the free movement of goods, services, capital and people.

The plan, drawn up by Mr Mario Monti, single market commissioner, will be presented to European heads of state when they meet in Amsterdam for a summit later this month.

The Commission hopes they will give fresh political backing to a January 1 1999 goal for completion of the single market, to coincide with the launch date of the European single currency.

"The completion of the single market and the single currency go hand in hand," said Mr Jacques Santer, Commission president yesterday.

The aim of abolishing internal frontier controls would not apply to Britain, which is expected to negotiate an opt-out from such plans at the Amsterdam summit.

The plan divides the failures of the single market into three areas, with separate completion deadlines for each.

Phase one covers actions which can be implemented in the very short term as they do not require new legislation, relying instead on practical steps at an European Union and national level to realise commitments already given.

Phase two covers measures that have already been proposed but still need adoption by the European parliament and Council.

Phase three tackles the trickiest areas where progress has been stalled because of disagreement among the 15 member states.

Measures covered include distance selling of financial services, abolition of frontier controls, pensions legislation and reform of value-added tax.

The Commission is committed to bringing forward legislation where necessary and is urging the council and the parliament to reach "maximum possible agreement" by 1999.

■ Privatisations of state owned companies will be scrutinised in future by the European Commission to see if governments have discriminated against non-national investors when selling the shares, according to guidelines adopted by the Commission yesterday.

Any country caught favouring its own nationals over investors from other EU countries could face action in the European Court of Justice.

The guidelines, which clarify Treaty rules on free movement of capital, could affect big privatisations such as the sale in Italy of Eni, the oil, gas and petrochemicals group.

The Commission believes that an Italian law obliging investors to request authorisation for buying more than a limited number of voting shares discriminates in favour of Italians.

Syria reopens its border with Iraq

By David Gardner, Middle East Editor

Syria has reopened its border with Iraq for businessmen, in what looks like the first step towards ending one of the longest schisms in the Arab world.

The move marks Syria's attempts to win a slice of the oil-for-food market under which sanctions-hit Iraq is licensed by the UN to sell $2bn worth of oil every six months in order to import essential food and medicine.

But longer term, the decision reflects Syria's efforts to strengthen Arab ranks against Israel by slowly bringing Iraq back into the fold, from which it was excluded after President Saddam Hussein's invasion of Kuwait in 1990.

Syrian officials and the Syrian Chambers of Commerce say three border posts, at Abu Kamal, Abu al-Shamat and Tal Qoujik, have been opened for Syrian and Iraqi businessmen to cross into each others' countries overland.

A Syrian business delegation went to Iraq last month and was received by nine Iraqi ministers before returning with food and pharmaceutical contracts worth $20m. An Iraqi business delegation is expected in Damascus tomorrow to discuss further contracts. The UN yesterday approved a second $2bn oil-for-food resolution.

Mr Farouq al-Shara'a, Syrian foreign minister, said on Monday no decision had been taken for a general opening of the border, but added: "It is difficult to imagine that Iraq, an Arab brother country, will eternally remain in the grip" of international isolation.

Syria has this year been attempting to persuade Arab leaders to adopt a more robust line against the hard-line Israeli government of Mr Benjamin Netanyahu, which has set its face against returning conquered Arab land, including Syria's Golan Heights, in exchange for regional peace.

As part of this effort, Damascus argued Iraq should be invited to send officials to an Arab summit, particularly as Israel was strengthening its alliance with Turkey, a development Syria regards as a serious strategic threat.

Syria and Iraq are ruled by rival branches of the Ba'ath party, which shared common pan-Arab nationalist aims before each became vehicles for legitimate military-backed regimes which have been at each other's throats for two decades.

Syria closed its border with Iraq in 1980, shortly after Saddam Hussein came to power, and sided with Iran in the 1980-88 Iran-Iraq war, shutting down Iraq's oil pipeline to the Mediterranean in 1982.

In the latter stages of the 1975-90 Lebanon civil war, Iraq backed and armed Maronite Christian forces opposed to Syria's creeping hegemony over the country. Following Iraq's invasion of Kuwait, Syria, along with Egypt and Saudi Arabia, joined the US-led alliance which evicted Saddam's forces in 1991.

Iraq, for its part, will welcome rapprochement with its Ba'athist rivals at a time when Turkey is in a position to launch incursions against Kurdish forces in northern Iraq almost at will.

Palestinian aid faces obstacle course

Donors find much to frustrate them on both sides of the ethnic divide, writes Judy Dempsey

For the past 12 months, a machine for stitching shoes has been waiting for clearance by the Israeli authorities at the port of Ashdod. The machine, financed by the European Union as part of donor assistance to the Palestinian Authority (PA), is destined for a West Bank workshop.

"The Israelis said we had to have clearance from the military, for security reasons. I can understand that," said a donor. "But how much longer do we have to wait. How can a stitching machine for uppers threaten security?"

The countless examples of Israel's bureaucratic obstacles will be just one of the issues raised today at a World Bank-hosted meeting in Washington called to assess donor assistance to the PA. It is also expected to expose how much donors and the Authority differ over the goal of that aid.

In 1993, after the Israeli-Palestinian Declaration of Principles paved the way for limited autonomy in the West Bank and Gaza, donors from more than 30 countries enthusiastically committed $2.7bn to the region.

The idea was that it would be distributed by the World Bank between 1994 and 1998 and channelled into a wide range of projects, from education and institution building, to agriculture and employment schemes.

Part would be administered and disbursed by the Palestinian Council for Development and Reconstruction, or Pecdar. Part would finance the PA's budget deficit, which last year amounted to $50m and is estimated to reach $52m this year. To date, $1.5bn has been disbursed.

Three years into the programme, punctuated by closures imposed by the Israeli government on the West Bank and Gaza, which slowed implementation of aid projects, donors and the Authority both agree they want the Israelis to stop placing obstacles in their way. But they see eye-to-eye on little else.

"You can blame security for nearly everything," said Mr Ferdinand Smit, chief of staff and head of the donor co-ordination unit at the United Nations in Gaza. "Frankly, there is no incentive for Israel to change its ways. It has a $2bn captive market in the West Bank and it wants to hold on to it." A senior Israeli official denied any bureaucratic delays were intentional.

If donors are frustrated with what one European Union diplomat described as "Israel becoming the master of bureaucratic obfuscation", they are just as irritated by the PA's own bureaucracy and lack of strategy.

"I know it takes time," an EU diplomat said, "but the PA has been slow to fill the ministries with the right people, slow to consolidate the budget and slow to make its finances transparent."

Such criticism coincided with a recent auditor's report showing how $326m, or about 40 per cent of last year's PA budget, had either been squandered on luxury items or not collected. The report also found that some donor aid had allegedly been siphoned off into personal accounts.

Another problem the donors face is the antipathy of both the PA and Pecdar towards international and domestic non-governmental organisations, such as family planning groups, children's aid and church groups, regarded by the EU countries as fundamental for fostering economic and political pluralism.

Mr Mohammad Shtayyeh, head of Pecdar, admits he would prefer all aid to be centralised. "Don't get me wrong. I am not a Stalinist. I just feel it would prevent overlapping and duplication."

Mr Shtayyeh would also prefer the donors, besides financing this year's budget deficit, to focus more on water, roads and infrastructure projects. "These should be the priorities."

The donors hold a different view. "The lack of investment in small and medium-sized enterprises is a major problem," said a Scandinavian donor. "It is vital for creating jobs. We have raised this with the PA several times. But there is no effective co-ordination on the recipient side.

"We are still waiting for a decent investment and tax law. No company will come to the West Bank until the legal framework is in place."

However much the donors complain privately, they have yet to adopt a united policy on how to compel Israel to speed the flow of donor equipment, or how to persuade the Palestinian Authority to become more transparent, strengthen the legal framework and stop creating monopolies. This is because their motivations differ for the allocation of aid in the region.

"Some donors are under pressure by their governments to push their own companies into the West Bank," explained a senior diplomat. "Other donors prefer to bypass the PA and deal directly with non-governmental organisations.

"Other donors impose ridiculously high environmental standards on projects when what is needed is simplicity."

Donors to the Palestinians ($m) (Top 10 by pledge)

Donor	pledged	committed	disbursed
US	500	296	207
EU	357	357	230
EIB*	300	89	na
Japan	256	231	232
World Bank	230	185	66
Saudi Arabia	200	185	83
Netherlands	151	150	90
Germany	150	149	89
Arab Fund	150	149	0
Spain	123	122	31
Total**	3,439	2,799	1,514

*European Investment Bank **Total includes 30 other donors

Source: Palestinian Ministry of Planning and International Co-operation

Netanyahu sets out principles for final peace settlement

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday unveiled principles for a final settlement with the Palestinians but did not spell out how much land Israel was prepared to give up, writes Judy Dempsey.

The "Allon Plus", called after Yigal Allon, a former foreign minister and soldier who devised a plan in the early 1970s to build a belt of Jewish settlements along the Jordan River, was presented to selected cabinet members and the security and intelligence forces. It entails Israel controlling greater Jerusalem, including east Jerusalem, the Jordan Valley and the settlements in the West Bank.

In addition, officials said it would form a seam, or kind of buffer zone, around the West Bank and would make sure "vital arteries such as water" were placed under Israeli control. "These are guiding principles for final status negotiations," an official said, adding that no maps were presented at the meeting.

The Palestinians immediately rejected the plan for the final status talks. If ever agreed, they would delineate the borders of Israel and a Palestinian state, decide the future status of Jerusalem, the Jewish settlements, the 4m Palestinian refugees and water resources.

INTERNATIONAL NEWS DIGEST

Foreigners flee Freetown

France evacuated more foreigners from Freetown yesterday and Sierra Leoneans streamed out to the provinces as Ghana tried to avert a showdown pitting Nigeria against coup leaders and their rebel allies.

Residents have virtually abandoned the seafront Aberdeen district, which was hit by shells on Monday, fleeing either into the city centre or to the interior.

Ghana sent a team to try to negotiate a peaceful end to the showdown, which began with a coup on May 25 and turned bloody on Monday after Nigerian gunboats shelled the city and dissident soldiers and rebel allies turned on Nigerian soldiers there.

A spokesman for the coup leaders said they had freed 300 Nigerian soldiers, captured on Monday to hold as human shields against air raids. They returned the Nigerians to their Freetown base. *Reuter, Freetown*

Barak elected by big margin

Former military chief Ehud Barak (left) was elected leader of Israel's opposition Labour party, winning 57 per cent of the vote, according to TV projections yesterday. He succeeds elder statesman Shimon Peres. "This is the first step on the road that will return Israel to balanced, responsible and worthy hands," Mr Barak said. "We will replace (Mr Benjamin Netanyahu's) failing government." Mr Barak, 55, has become the hope of Israel's peace camp. He argues that he alone can unseat Mr Netanyahu, who once served under him in Israel's elite Sayeret Matkal commando unit. The vote marks a generational shift in Israeli politics: for the first time, Israel's two large parties – Labour and Netanyahu's Likud – will be headed by native Israelis who grew up there. *AP, Tel Aviv*

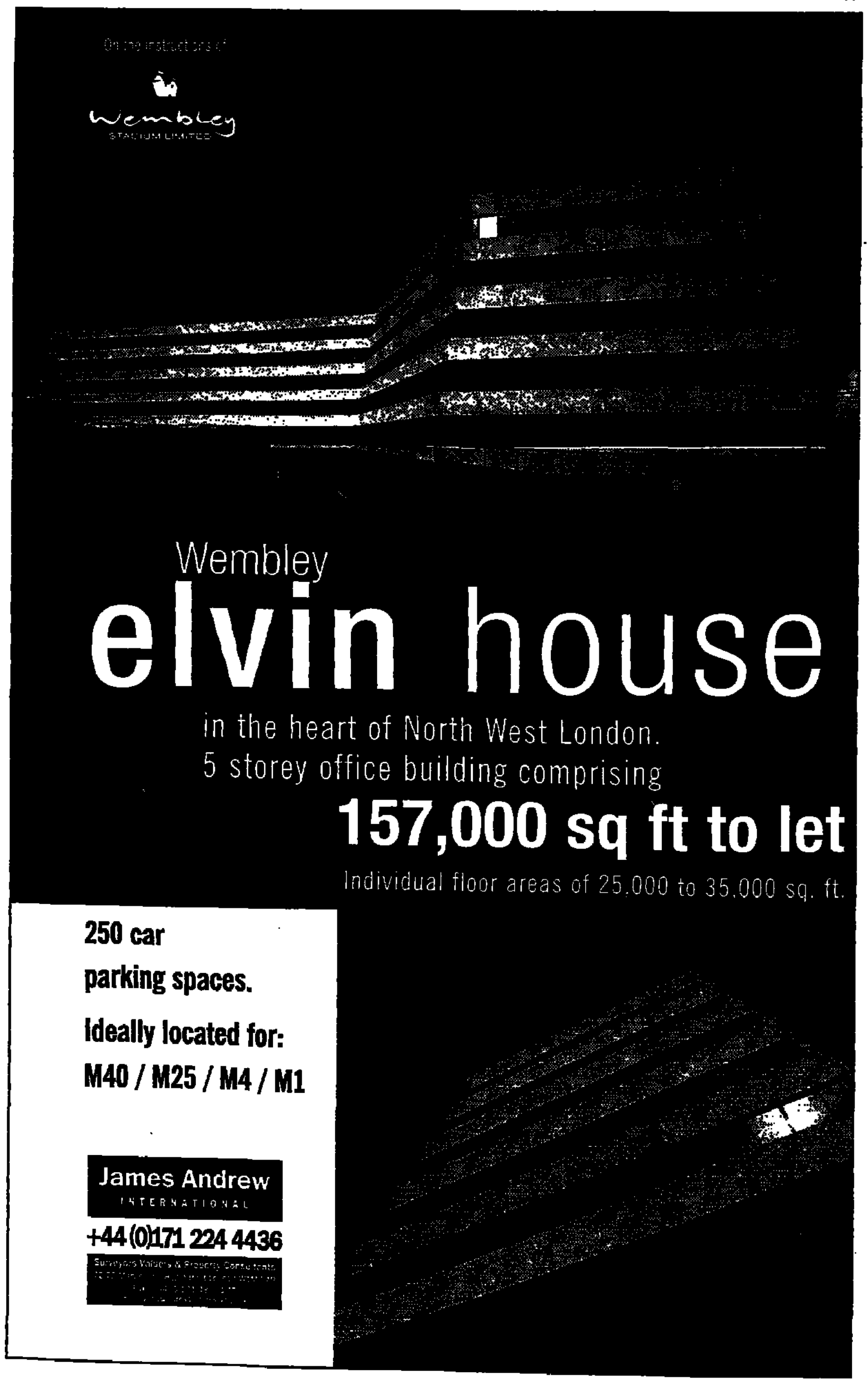
Algeria arms for key poll

Heavily armed troops and police started to deploy around polling stations in Algiers yesterday as millions of voters throughout Algeria prepared for their first general election in more than five years of violence and bloodshed.

The security deployment for today's ballot followed a wave of bombings blamed on Moslem fundamentalists with at least 22 people killed and 120 wounded in three days. The authorities are expected to deploy about 200,000 soldiers and other security forces to guard the nearly 16.8m voters among Algeria's 29m people.

The ballot is seen by President Liamine Zeroual as a key to ending years of crisis that followed the last general election in December 1991. Then, the now-outlawed Islamic Salvation Front (FIS) dominated the poll and in January 1992 the authorities scrapped it. Algeria plunged into violence in which about 60,000 people have died.
Reuter, Algiers

Trappings of democracy, Page 15



LEGAL NOTICE

COMBINED ENERGY PROJECTS LIMITED
BASE LOAD SYSTEMS LIMITED
(BOTH IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on the 18th day of June 1997 at 11.30am for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by, or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due, and

(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 2 day of June 1997
V M BAIRSTOW AND N TOMBS
Joint Administrative Receivers

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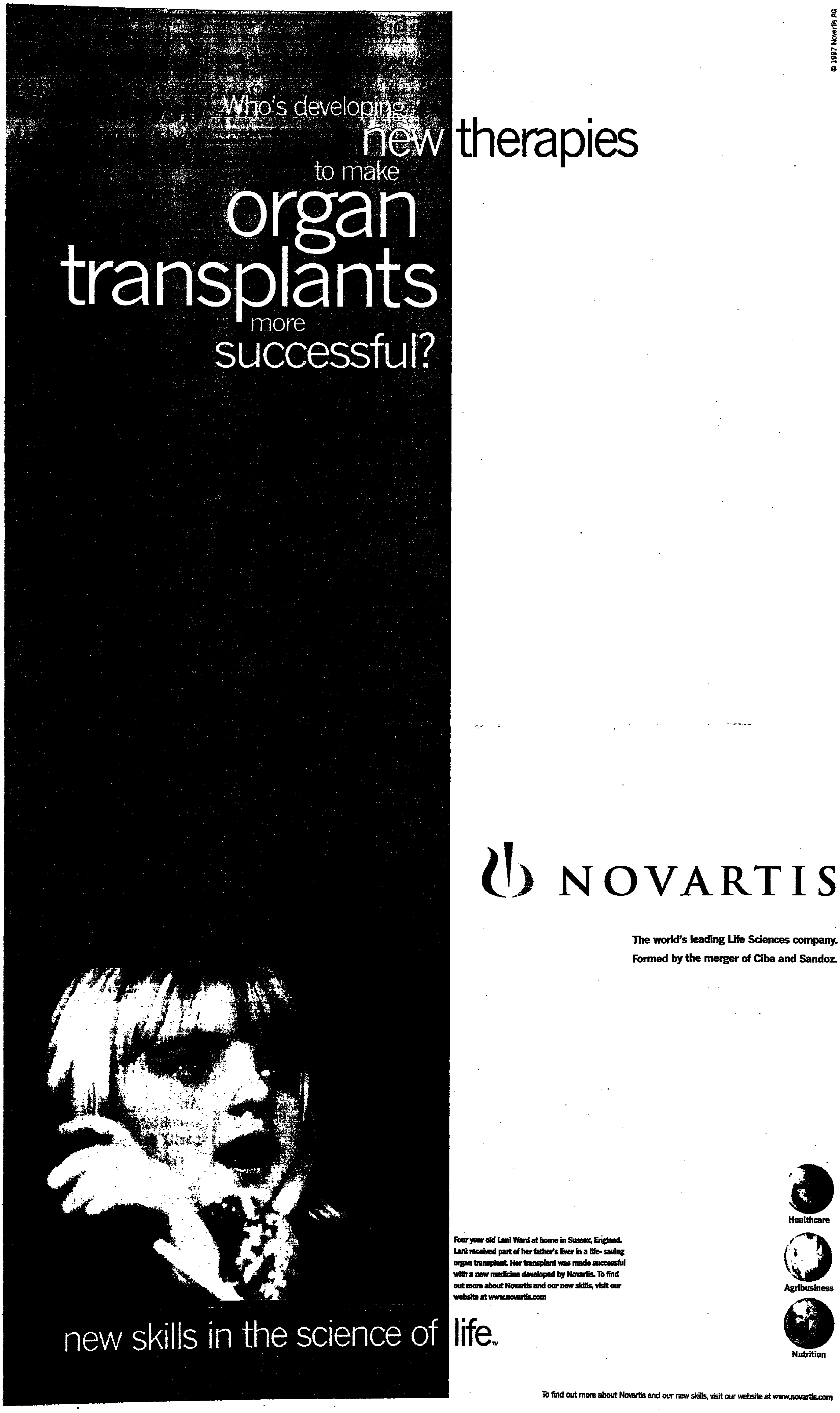
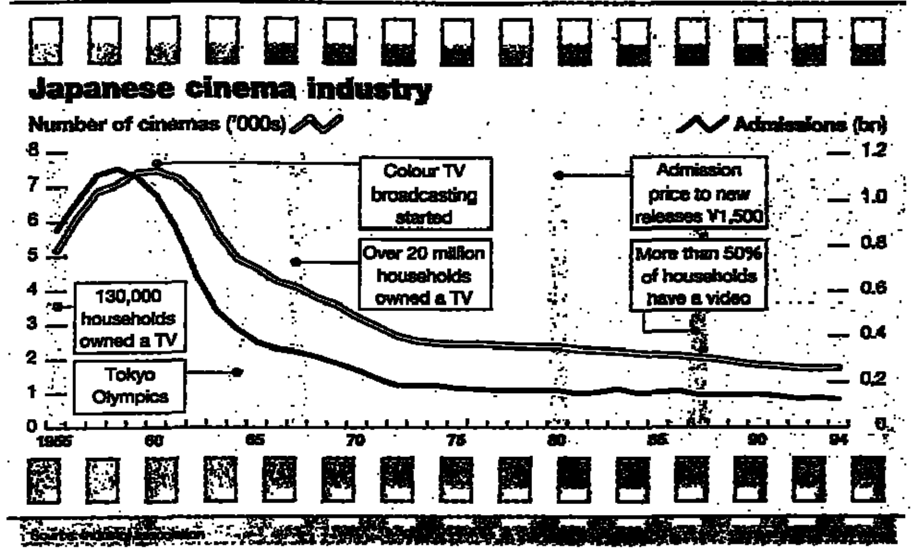


NEWS: WORLD TRADE

Curtain-up on new Japanese film era

The pressure from foreign exhibitors is forcing change in the country's hide-bound cinema industry, writes **Michiyo Nakamoto**



Going to the cinema can be a trying experience in Japan, where prices are often high, the seats cramped, and the popcorn stale. But all this may be about to change.

Japanese movie-goers have long had to endure third-rate conditions, the result of age-old practices which have restricted competition and hampered modernisation of what is the world's second biggest cinema market. But growing pressure from foreign operators promises to spur a shake-up.

Last month, United Cinemas International, a subsidiary of Paramount/Universal Studios, announced plans to build a multiplex cinema in Sapporo, one of Japan's nine main film exhibition centres which have been dominated and guarded jealously by the domestic industry.

The multiplex, to be built in an alliance with Mr Fujita Den, an entrepreneur who runs McDonald's and Toys 'R' Us in Japan, is the second of 20 the US company plans to develop nationwide by the year 2000.

Warner Mycal, a joint venture between the US entertainment company Time Warner and Mycal, a Japanese retailer, is also planning 20 more multiplexes in addition to the eight it already has across the country.

This aggressive foreign expansion is slowly but inevitably breaking down outdated practices and spearheading a transformation in the Japanese industry.

With box office revenues of $1.5bn, the Japanese market was the second largest in the world last year. This was well behind the US with $5.7bn, but far ahead of France, in third place with $900m, according to industry figures. But, as Mr Adam Gower, UCI's representative director in Japan, points out, the country also has one of the industrialised world's poorest attendance rates and the lowest number of screens per head.

Where the US has one screen per 9,000 people, Japan has one per 70,000. Although Japanese have some of the highest disposable incomes in the world, the average number of visits per person to the cinema is just 1.59 a year, compared with five per person in the US. As a national pastime, going to the cinema ranked 17th in a survey by the Leisure Development Centre, an organisation affiliated to the Ministry of International Trade and Industry.

"The number of people going to cinemas in Japan is so dismally low because it's such a miserable experience," says Mr Paul Smith, industry analyst at HSBC James Capel in Tokyo. This view is echoed by UCI's Mr Gower who says that cinemas have a bad reputation in Japan. "The seating is uncomfortable. . . . and the service is poor. To make matters worse, the price of seeing a movie has gone up 20 per cent in the past eight years or so to Y1,800 [$15.50]." The net result has been that attendance has fallen almost consistently since 1960.

Much of the blame rests on a monopolistic industry structure, restrictions on competition and government regulations which favour the small, domestic operator.

The situation is similar to that described by Kodak, the US photographic film manufacturer, which claims that its rival Fujifilm's control over distributors, and alleged government collusion to keep out foreign competition, have prevented Kodak from increasing market share in Japan. The US government has complained to the World Trade Organisation over many of the issues raised by Kodak.

In the cinema market, the control which three big companies – Shochiku, Toho and Toei – exercise over the distribution of films means they can decide which cinemas get to show any particular film, for how long and at what price.

An official at the Japan Association of Theatre Owners explains that, since the exhibitor pays a percentage of revenues to the distributor as the price of showing a film, it is unable to fix its own seat prices. According to Mr Gower, independent cinemas defying the big three could find themselves without any films to show. "Anybody who tried to do this outside Japan would be arrested," he says.

The industry association has tried to maintain this situation by resort to the law affecting large retail stores. The legislation, which restricts the spread of large retailers in order to protect small shopowners, is one of the key issues brought up by the US in the WTO.

UCI, for example, has been asked to delay building its multiplex in Kanazawa in north-western Japan until a group of local cinemas are ready to compete with their own.

The domestic industry knows the writing is on the wall, however. As one official commented: "We have to improve our services and try to compete as good rivals." Japanese companies are beginning to join the competition. Last year, Shochiku established Shochiku Multiplex Theatres, which plans to develop 10 sites with a total of 100 screens by 1999.

UCI, meanwhile, plans to go ahead with its Kanazawa project. Mr Gower believes Miti will be too embarrassed to use the large retail store law against a foreign company at a time when it faces criticism in the WTO.

According to HSBC James Capel's calculations, 600-800 new screens are planned over the next five years. It may not be too long before going to the movies anywhere in Japan becomes a pleasure rather than an ordeal.

Irish award deep water oil licences

By John Murray Brown in Dublin

The Dublin government yesterday awarded oil exploration licences to 11 foreign consortia for the Rockall Trough, a deep water sedimentary basin stretching up to 650 miles west of Ireland, in what is considered one of the five key exploration areas in the world.

Mr Emmet Stagg, the energy minister, said it was "by far our most successful round [of licences] to date," and predicted that Rockall would emerge as "one of the most exciting untested areas in north-west Europe".

One UK oil analyst said the area "could throw up a 1bn barrel find like BP's Colombian venture, but we just don't know."

The companies include BP, Shell, Elf and Total of France, Statoil of Norway, and the US companies Mobil, Arco and Union Texas – taking a total of 58 full and part blocks.

Many of the same companies were involved in the award of licences in April from the UK government, which allocated 41 blocks to 24 companies in its section of the Rockall Trough west of the Hebrides.

Mr Stephen Scullion, analyst with Wood Mackenzie oil consultants in Edinburgh, said it was "one of five or six key exploration areas in the world". He said the next five years' exploration would determine the extent of the hydrocarbon reserves in the British and Irish offshore sector.

Ireland has had a fitful record in its offshore sector. Marathon is producing gas from a field off Kinsale in the south-west which is due to run out in a few years.

There is as yet no oil production, although Mr Stagg revealed that the first oil was due to be pumped from the Connemara field, which is being developed by Statoil.

Enterprise, which drilled two wells in the adjacent Porcupine Basin last year, had been "fairly successful", according to analysts.

Mr Stagg said he had decided that the south Porcupine would be subject to frontier licensing with a closing date of December 15, 1998. The minister said he would make a further announcement later this year about the terms, duration and phases of the licences.

Ireland has one of the world's most attractive tax regimes for oil exploration. Technological improvements have also changed the economics of high risk deep water areas such as Rockall.

Mr Peter de Ruiter, new business development director of Shell UK, said companies were "no longer scared off by depths of over 1,000 metres."

However the industry faces a dilemma in trying to replace reserves – whether to do it through exploration or through acquisition, as happened with Statoil's takeover of Aran Energy, the Irish independent which had interests in BP's West Shetland development.

Indonesia steps up help for Timor car

By Manuela Saragosa in Jakarta

Indonesia has taken further steps to salvage its controversial "national" car project by decreeing that all government offices and state-owned companies must buy the vehicles.

The trade and industry minister, Mr Tunky Ariwibowo, was quoted as saying compulsory purchases were needed to help Timor Distributor National achieve its sales targets. Sales have fallen below expectations since its launch late last year.

This latest effort to help the national car comes as the European Union and Japan are requesting the World Trade Organisation to rule on the matter. Along with the US, they have accused the programme of breaching Indonesia's free trade commitments because the tax and tariff breaks offered to Timor Putra Nasional are not available to other local manufacturers.

The Indonesian authorities have shrugged off threats of a WTO ruling, and told several state-owned and private Indonesian banks to extend a $690m syndicated loan to support the national car programme.

Australia considers car tariff policy

The Australian government will settle future car tariff policy soon, following receipt of the Productivity Commission report, Mr Peter Costello, federal treasurer, said yesterday, Nikki Tait reports from Sydney. The government would balance its desire to keep a viable car industry and the need to meet its commitment to Asia-Pacific free trade by 2010, he added.

The existing tariff reduction scheme runs out in 2000, when tariffs on imported cars will have dropped to 15 per cent. The commission's report is said to recommend that tariffs continue to fall, to 5 per cent by 2004. But car manufacturers claim this will threaten the industry's survival, and ministers are understood to be looking at compromises, including a slower rate of tariff decline after 2000.

Consortia vie for Chinese contract

By Andrew Taylor, Construction Correspondent

About 10 US, European and Japanese groups and consortia are understood to have been shortlisted to finance, build and operate the $700m Wangcheng power station near Changsha, in China's Hunan province.

Cash offers for the project are due to be submitted by September 25. Potential bidders are believed to include a consortium of Electricité de France, the French utility, and GEC Alsthom, which last year won the concession to build the $600m Laibin "B" power station in Guangxi.

The Laibin "B" deal was heralded as providing a model for future foreign participation in build-operate-transfer power projects in China.

Failure to develop acceptable concession terms for BOT projects previously has discouraged international investors from entering the potentially massive Chinese power market.

Negotiations for the Wangcheng project therefore will be closely watched by bankers and developers seeking to build on the Laibin "B" deal.

Other groups reported to be bidding for the Wangcheng project include National Power and PowerGen of the UK, a consortium of the US-based Exxon group and Duke Power, Westinghouse, also of the US and ABB Energy ventures, the power generation subsidiary of ABB Asea Brown Boveri.

The concession, as with Laibin "B", is expected to be awarded to the group providing the cheapest electricity price, leaving the developers to determine what returns they can get from their offer.

The principal obstacle to international involvement in power projects has been Chinese pre-occupation with placing a ceiling on investment returns to foreign companies, with the state trying to impose an informal cap of about 15 per cent.

Losing bidders at Laibin "B" say the low price bid by the French consortium is likely to limit returns to no more than 15 per cent.

Bankers also have been concerned about the failure of central government to provide sufficient legal safeguards and underwrite part of the foreign exchange, credit, and fuel supply risks on BOT power projects.

NYSE set to quote prices in sixteenths

By Tracy Corrigan in New York

The New York Stock Exchange's board of directors is today expected to vote on a shift to trading stocks in increments of sixteenths, instead of eighths. This follows similar moves recently by the rival Nasdaq market and other US exchanges.

The board may also discuss a more radical move to trading stocks in decimals instead of fractions. Either step would probably cause the gap between buy and sell prices to narrow, resulting in savings for investors – and potentially lower profits for traders.

Some change is widely expected because regional exchanges that trade some NYSE shares have already moved to sixteenths and could potentially trade shares on tighter spreads.

A unilateral move to decimal pricing by the NYSE would also pre-empt a bill sponsored by Congressman Mike Oxley, chairman of the House of Representatives subcommittee on finance and hazardous materials. The bill, which is working its way through the system, is now due to go before the commerce committee.

A spokeswoman for Mr Oxley said he welcomed the recent shift to sixteenths because it should narrow trading spreads but added: "We want to make the market accessible to more investors. [The move to] sixteenths complicates the market even more."

Earlier this week, the National Association of Securities Dealers, Nasdaq's parent, formally requested comments from investors, traders and listed companies on decimal pricing, in conjunction with its own study.

"We would like to have a recommendation to put to our board by the end of summer," a Nasdaq official said.

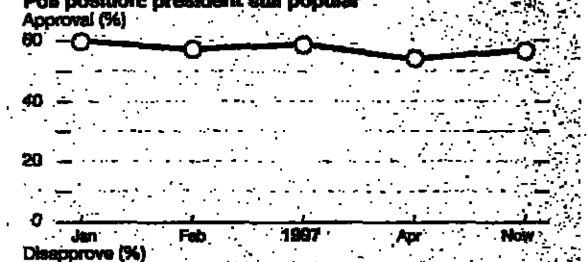
Mr Arthur Levitt, chairman of the Securities and Exchange Commission, has expressed support for a switch to decimalisation. But any change, whether enforced by the SEC following legislation or adopted by exchanges individually, would take some time to come into effect, as computer systems would have to be adapted.

Few Americans seem to care if Clinton solicited sex from Paula Jones

Presidential high marks and low antics

Clinton: so what if he did?

Poll position: president still popular



Disapprove (%)

Are questions being raised about Clinton's character in the Jones case relevant to how Clinton should be judged in office?

	Now	May'95
Yes	[illegible]	[illegible]
No	[illegible]	[illegible]
No opinion	[illegible]	[illegible]

Do you think that some incident between Clinton and Jones probably did occur while he was governor?

	Now	May'95
Yes	[illegible]	[illegible]
No	[illegible]	[illegible]

Paula Jones' description of her alleged meeting with Clinton is . . .

	Now	May'95
[illegible]	[illegible]	[illegible]
Mostly true	39%	26%
[illegible]	[illegible]	[illegible]
Completely false	10%	20%

Sources: USA Today, CNN, Gallup: 985 adults surveyed May 30-June 1 1997 (margin of error +/- 4%)

Americans will put up with a lot from their president. It is hard to avoid that conclusion, from the evidence of recent opinion polls.

These show that nearly three quarters of Americans believe Mr Bill Clinton solicited sex from Ms Paula Jones, 60 per cent think he lied about his involvement in the Whitewater financial scandal, and 40 per cent think he traded policy favours for big campaign donations.

Even so, between 57 and 59 per cent give him high marks as president. In their minds, Americans seem to have severed any necessary connection between morality and the presidency.

On each of these charges, the president faces formal judicial or congressional proceedings: the Supreme Court last week cleared the way for him to face charges that as governor of Arkansas he tried to compel Ms Jones, a state employee, to have sex with him in a Little Rock hotel room. Whitewater, and allegations of a related White House cover-up, remain the subject of an extensive investigation by the independent counsel, Mr Kenneth Starr. And Congress will soon hold public hearings on campaign finance abuses in the last election – including allegations the White House sold policy to foreign donors.

In the court of public opinion, the president has already been convicted of an array of character offences involving not just personal but public morality. He is not simply accused of trying to have sex with Ms Jones, but of using his position as governor to compel her compliance; and charges of influence peddling in the White House imply real corruption.

But, apparently, it takes more than this to make American jaws drop. News of the Supreme Court judgment denying the president immunity from prosecution had no perceptible effect on his approval ratings. A CNN/USA Today/Gallup poll published earlier this week showed that 72 per cent think "some incident" took place in the Little Rock hotel room, but 62 per cent believe that is irrelevant to the presidency. Mr Clinton's approval rating held steady at 57 per cent. During last year's election, polls repeatedly showed Americans did not find Mr Clinton either honest or trustworthy – just honest and trustworthy enough to be president.

Perhaps the president's approval ratings remain high because, in the market of public opinion, all Clinton character flaws are already fully discounted. Perhaps Americans have simply overdosed on scandal. So even the most titillating of stories – such as the Paula Jones affair, in which the plaintiff has offered to identify certain "distinguishing characteristics" on the presidential genitalia – cannot overcome a profound public uninterest in the affairs of national government. Americans have long been cynical about their rulers, but public indifference to politics seems to have reached new highs.

Economics probably does much to explain this phenomenon. Politics ebbs and flows with economic growth: when economics is at high tide, Americans can afford to let politics slide.

The opposite may also be true: when economics wanes, politics may again rise to the fore. But there is little sign of economic downturn at the moment. So, with no economic or foreign policy crisis looming, Americans have turned their attention to hearth issues, such as education, teenage smoking, crime, and protecting children from pornography on the internet.

It is exactly these issues – many of them fundamentally moral ones – which their character-flawed president has exploited the most successfully. Opinion polls show high approval ratings – in the 80 percentile range – for issues Mr Clinton has proclaimed from the presidential "bully pulpit": efforts to curb teenage smoking, install "V" chips to screen out sex and violence on television, impose youth curfews and fight smut on the internet.

Every presidential pronouncement is larded with saccharine sentiments about children and family. But though Americans know this implies a moral contradiction with the president's private life, they do not seem to care.

Critics of the president ask why he does not exploit his stubbornly high popularity to tackle some larger issues, such as ensuring the financial viability of Medicare (health insurance for the elderly) and social security. Six months into his second term, there is little sign the president will risk short-term approval of the polls to solve long-term domestic problems. He has campaigned for a place in history by expanding the Nato defence alliance, reforming welfare, and concluding a fragile agreement to balance the federal budget. But much of his campaign is waged on a far narrower battlefield: so far, not the stuff of which historic presidencies are made.

Patti Waldmeir

Venezuela faces inflation surge

Venezuela's inflation rate continued to climb last month – up 3.1 per cent in May compared with a rise of 2.4 per cent in April, reports Raymond Colitt from Caracas.

The two-month rise – after an all-time low of 1.6 per cent in March – follows a year-long slowing of the consumer price index, which registered 12.6 per cent in May of last year.

The upward turn marks a setback for the government, whose economic programme aims to bring inflation to under 2 per cent per month. The government insists the downward trend will resume and it will still be able to meet its inflation target of 30-35 per cent for 1997. It blames the surge on recent salary increases averaging 75 per cent.

Independent analysts say inflation will not fall under 40-45 per cent for 1997. The country's inflation rate last year was 103.2 per cent.

Drugs links may force Banzer pact rethink

By Sally Bowen in La Paz

Links between Bolivia's influential third political party and the illegal cocaine trade look set to disrupt General Hugo Banzer's preferred plans for a governing coalition.

As results continue to come in from outlying districts, the former dictator is still set for a narrow victory in elections to decide the presidency and the country's two-chamber congress.

Gen Banzer's first choice partner for his Accion Democratica Nacionalista (ADN) is believed to have been the Movimiento Izquierda Revolucionario (MIR), an alliance that would have left the ruling Movimiento Nacionalista Revolucionario (MNR) out in the cold. But several prominent MIR members have been implicated in the drugs trade and there are fears involvement in government could jeopardise the country's ability to attract international aid and investment.

Mr Gonzalo Sanchez de Lozada, president and MNR party chief, has made it clear the MNR would be prepared to negotiate a pact with General Banzer "in the interests of pursuing the reforms that haven't yet gelled".

"International investors, especially in the US, are already worried at the prospect of an ADN-MIR alliance which might prejudice the integrity of this revolutionary series of measures we've managed to achieve in democracy and financial stability," he said.

The latest results make it increasingly clear MNR has snatched second place from MIR. The margin between the top two parties – around 4 percentage points – is even closer than originally forecast. This, say MNR officials, means Gen Banzer has no clear mandate.

Under Bolivia's electoral system, Gen Banzer's narrow victory gives him an impressive number of senators, but to be able to govern he needs an overall majority of the 157 seats in the two-chamber congress. That means he must find at least two coalition partners.

MIR and ADN jointly governed Bolivia between 1989 and 1993 under a so-called "patriotic accord" with MIR's Mr Jaime Paz Zamora serving as president. But, despite an aggressive campaign to eradicate coca crops, the raw material for cocaine, largely funded by the US, some MIR members became implicated in the drugs trade. After a trial which ended in a long jail sentence for a leading MIR official, the US embassy permanently revoked the visas of Mr Paz Zamora and three other high-ranking MIR politicians in December 1995. Bolivia relies heavily on credits from the US and other countries. The US financial assistance act prohibits granting aid to governments controlled by people involved in drugs trafficking.

Mr Sanchez de Lozada says he is worried MIR participation in a governing coalition could lead to the US exercising its veto power over "the concessional funds Bolivia needs". It could also jeopardise a substantial multilateral debt relief package for which Bolivia is a candidate.

HK protest marks Beijing crackdown

By John Ridding in Hong Kong

More than 50,000 people gathered in Hong Kong last night to commemorate the 1989 crackdown on pro-democracy demonstrations in Beijing, according to organisers of the rally.

Yesterday's crowd appeared to exceed the 40,000 who gathered for the annual vigil in 1996. Organisers said they would hold the rally next year, in a potential challenge to the administration that will take office when the territory returns to China at the month's end. They also announced plans for a demonstration on July 1.

The vigil came amid concerns that the post-handover government might seek to curb rallies marking the suppression of protests in Tiananmen Square. Plans by the government-in-waiting to tighten controls on demonstrations have fuelled fears among pro-democracy groups that protest rallies will be curtailed.

Mr Tung Chee-hwa, Hong Kong's future leader, has promised not to restrict demonstrations as long as they are peaceful and conducted within the law. But speaking before yesterday's rally he urged Hong Kong people to put memories of June 4 1989 behind them and concentrate on achieving a smooth transition.

Pro-Beijing figures sought to play down concerns about protest curbs after the return to China at the stroke of midnight on June 30. Mr Lau Siu-kai, a member of the Beijing-appointed Preparatory Committee, which is overseeing the handover, said China would not seek to intervene. He predicted demonstrations relating to Tiananmen Square would "die a natural death" if left alone.

Pro-democracy politicians, however, were sceptical about assurances from the incoming administration. "If they are sincere, then why have they changed the laws on demonstrations?" said a member of the Democratic party, the largest group in the territory's legislature.

Under laws proposed by the incoming government, demonstrators will need to secure a "notice of no objection" before staging their protests.

Mr Lee Cheuk-yan, a member of the Hong Kong Alliance in Support of Patriotic Democratic Movement in China, criticised Mr Tung for seeking to dissuade protestors. "He is putting himself in the place of the Chinese leadership, instead of siding with the rest of the population in their aspirations for a free China."

Others said the annual rallies would continue until Beijing revised its verdict on the pro-democracy protests. "After the death of Deng Xiaoping, now is the time for a re-assessment," said one activist at last night's rally.

Hong Kong resident Chung Chee Wan weeps in front of a monument to those killed in Tiananmen Square, during a candlelight vigil last night *Reuter*

Fraud suspects at newspaper arrested

By John Ridding

Hong Kong's anti-corruption agency yesterday arrested six people, including three senior managers of the Hong Kong Standard, on suspicion of fraud and false accounting at the territory's second English-language newspaper.

The Independent Commission Against Corruption (ICAC) said that the circulation figures for the Hong Kong Standard and the Sunday Standard "have been fraudulently and systematically inflated" to deceive circulation audit companies and local advertising clients.

The arrests, which followed a morning raid at the Standard's premises, deal a blow to Sing Tao Holdings, one of the territory's biggest media groups and publisher of the Standard. It comes as Ms Sally Aw, chairman of Sing Tao and a prominent Hong Kong business figure, is seeking to sell all or part of her controlling stake in the group.

Industry analysts were divided over the impact of the arrests on sale prospects. "This may not lead to significant damage, unless it creates a liability for the group," said Mr Kaushik Shridharani at Salomon Bros. He said the value of the company lay in its flagship Sing Tao Daily and other titles, and not in the loss-making Standard.

However, a media analyst at another securities company argued that the arrests were likely to complicate prospects for a deal. "This is likely to raise a lot of questions in the mind of any prospective buyer," he said. "It certainly affects perceptions of the value of the Standard."

The ICAC said its investigation had revealed a scheme which involved the deliberate excess printing of more than 10,000 extra copies of the newspaper each day. These were purportedly sold to a bogus bulk distributor, when in fact the surplus was sold as waste paper.

Although the scheme was found to have been in operation since at least early 1994, the corruption watchdog said the surplus had recently been increased to between 14,000 and 23,000 copies per day. In the first six months of last year, the Standard claimed average daily sales of about 63,000.

Inquiries into the case are limited to newspapers' printing, circulation, sales and marketing activities. Editorial operations are not the subject of investigation, the ICAC said.

Among those arrested were three serving and one former senior officials of Hong Kong Standard Newspapers, and one serving and one former circulation supervisor. According to the ICAC, those arrested were due to be released on bail last night.

Following the closure last year of the Eastern Express, Hong Kong has had only two English-language newspapers, the Standard, and the South China Morning Post. The territory's newspapers have been recovering after a recent price war and depressed advertising demand hit profits last year.

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South plays down fears of famine in communist neighbour

UN and Seoul differ on food need in North

By John Burton in Seoul

The United Nations and South Korea yesterday offered sharply contrasting assessments of the food shortage in North Korea as contending humanitarian and political considerations shaped their different points of view.

The World Food Programme, a UN agency, warned that North Korea was on the brink of mass starvation as food rations would run out in the next two weeks.

Meanwhile, South Korea claimed that any threatened famine had been averted because recent international food donations would allow the North to be fed until early August, when the next harvest was due.

The WFP rebutted that contention, saying that international food aid "covered only a small part of the need".

Seoul has consistently played down the North's food problem because of a belief that large-scale foreign food aid would lessen Pyongyang's need to join proposed peace talks in return for promised food supplies from the South.

"South Korea sees the food situation as the best opportunity to force the North to the negotiating table, but it views international aid as undercutting that strategy," one western diplomat said.

UN officials who visited North Korea late last month painted a dire picture of the food crisis there. They said the country's ration system that has kept a threatened famine at bay after two years' destructive floods "is now on the verge of collapse with no alternative mechanism to provide food".

"The emergence of commonly recognised pre-famine indicators suggest that starvation will ensue in segments of the population before the next harvest, unless remedial action is taken urgently," the UN mission report said.

Aid officials have estimated that 4.7m of the North's 23.5m people are at risk of starvation. Recent travellers to North Korea have reported large groups of people roaming the country in search of food, which represents the first sign of a breakdown in the North's highly-regimented society.

However, the UN says food production is likely to improve later this year, though it will still fall far short of meeting the country's needs. "Early prospects for the 1997 crops are favourable, reflecting an early winter thaw in March and good rains since the beginning of May," which could produce as much as 4m tonnes of grain in the autumn against an estimated total demand of 7m tonnes.

Although they differed on the extent of the North's current food problem, both the UN and South Korea yesterday agreed that food shortages would recur unless Pyongyang introduced reforms to its collectivised farming system.

Pakistan bank sets up bad debt team

By Farhan Bokhari in Karachi

Pakistan's largest public sector bank, Habib Bank, is to set up the country's first "bad bank department" later this month to step up the recovery of bad loans.

The new department would be an important test of Pakistan's new banking laws approved by parliament last month, which for the first time allow banks to begin proceedings to seize assets of defaulters.

Pakistan's financial sector is reeling under the pressure of non-recoverable debts worth PRs131bn ($3.2bn).

Habib bank is among Pakistan's three large public sector banks, which together are exposed to approximately PRs100bn of bad loans. Habib's own exposure is about PRs37bn, which is roughly 30 per cent of its loan portfolio of PRs120bn.

Habib's plan formally marks the end of the move to set up Resolution Trust Corporation (RTC), conceived by Mr Shahid Javed Burki, a World Bank vice president, who served as the finance adviser in Pakistan's interim government that preceded the current administration.

Many bankers criticised the RTC because, as conceived, it took over responsibility for the recovery of bad debt from public sector banks.

Pakistan's two other large public sector banks, United Bank and National Bank, are also understood to have begun preparations for setting up bad bank departments, though it is not clear how soon announcements will be made.

Mr Shaukat Tarin, a former Citibank executive who was recently appointed as the president of Habib Bank, said yesterday: "There is going to be no respite for defaulters. The bad bank department will do nothing else than to recover the money."

Mr Tarin also said he planned to hire up to 10 executives from the private sector during the next month to hold key jobs at the bank, including that of running the bad bank department. He denied reports in banking circles that most of the bank's senior managers would be sacked soon, adding that the planned recruitments this month would put his entire new team in place.

The details of the new foreclosure laws which Habib hopes to benefit from are expected to be announced today by Mr Muhammad Yaqub, the central bank governor. Bankers also expect the government to establish new banking courts to speed up the prosecution of bank defaulters.

Prime minister revises down estimate for year after first quarter slows

Economic growth slips in Australia

By Nikki Tait in Sydney

Australia's growth rate fell to 2.4 per cent year-on-year in the first quarter, prompting Mr John Howard, the prime minister, to revise down the forecast for 1996-97.

He told parliament the economy was now expected to expand by 3 per cent. This compares with 3.5 per cent predicted in the conservative coalition government's first budget last August, and the revised 3.25 per cent contained in the latest budget package two months ago.

The 2.4 per cent figure is also the lowest quarterly rate since mid-1992, when Australia was just beginning to pull out of recession.

Growth in the 1995-96 financial year was just over 4 per cent. However, both Mr Howard and Mr Peter Costello, the federal treasurer, pointed out that output in the first quarter of 1997 alone was 0.9 per cent higher than in the fourth quarter of 1996.

That would translate into a healthier annualised rate of more than 3.5 per cent.

The three-month period also saw a continued solid level of business investment, strong private consumption, and an encouraging rise in housing investment.

These positive trends were offset by a sharp rundown in stocks, and a slight fall in company profits. Australia's manufacturing sector also struggled, with production shrinking for the second successive quarter. As the federal opposition quickly pointed out, this technically puts the sector into "recession".

"It is not just a matter of manufacturing being flat," commented Mr Gareth Evans, shadow treasurer. "We now have a manufacturing sector that is in recession: two consecutive quarters of negative growth and, over the whole year, minus 2.2 per cent. The implications of all this for unemployment... have been devastating."

The numbers were greeted calmly by financial markets. Most analysts had already revised their forecasts downwards in the wake of last week's data on stocks.

Most saw the figures as confirmation that the Australian economy accelerated modestly in the first quarter of the year, but that the trend remains tentative and patchy.

The jury is still out on where the economy will go from here. Inflation is negligible at present, and both the prime minister and treasurer were at pains to point out the more encouraging aspects of yesterday's data.

"Over 1997-98, growth in the Australian economy is going to strengthen," claimed Mr Costello. Mr Howard suggested that yesterday's figures were consistent with the budget forecast of a 3.75 per cent growth rate in 1997-98.

Most analysts and industrialists agree the bottom has probably been reached. "The latest figures show that the economy may have reached its trough in December and is now on the way up, and not before time," said Mr Mark Paterson, chief executive of the Australian Chamber of Commerce and Industry.

But there is less consensus about the pace of the economic revival.

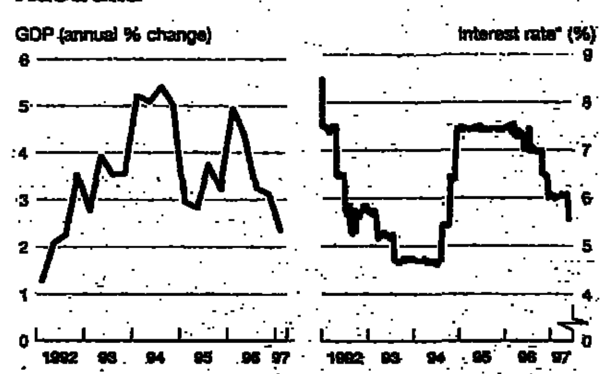
Ms Su-Lin Ong, at Hambros Australia, pointed out that the strong private consumption trend seen in the first quarter had not been so evident in the current quarter, and the upturn in housing activity was likely to be concentrated in late 1997 and 1988.

"Capital expenditure data suggests considerably more modest business investment in 1997-98, and while latest business surveys are cautiously optimistic on the economy, the tone is far from buoyant," she commented.

The government itself has admitted that a growth rate of about 4 per cent is probably necessary to make inroads into Australia's unemployment problem, and the Reserve Bank has indicated that, in the current environment, this would probably be consistent with inflation targets.

So talk of a further cut (the fifth in the past 12 months) in official interest rates is beginning to circulate, even if most pundits still think the odds tend to be weighted against such an event.

Australia



Source: Datastream * Mid rate

Future head of super-regulator says French election and German gold row highlight uncertainty

City told to check all Emu possibilities

By Samer Iskandar

Mr Howard Davies, the future head of the strengthened Securities and Investments Board, yesterday warned banks and financial institutions that the new super-regulator would take a tough view on financial transactions betting that European monetary union would take place.

"What I shall be recommending strongly is that market participants need to 'stress test' their portfolios against the possibilities of different outcomes on Emu," Mr Davies said in an interview. "There has been a lot of convergence play activity in the markets recently. What we are saying to people is: 'Well, that's fine; it reflects the market's consensus view. But what if it is wrong?'"

Convergence plays are trading positions that are profitable as long as peripheral markets such as Italy and Spain converge with Germany's on the assumption that Emu will bring their money markets closer together.

But Mr Davies pointed out that such speculation involved risks that were not being addressed.

"What we are saying to people is 'We, as regulators, are interested to know whether you have undertaken a prudent assessment of how vulnerable you are to uncertain events in the markets'. This is something we don't think market players currently do enough of, and this is a strong message from me to them today."

Mr Davies also believes these trading risks have been increased *in recent days by political tensions* in France and Germany over Emu.

"The markets are still expecting Emu to go ahead on 1 January 1999. [But] some uncertainties have arisen in the last couple of weeks, due to the French elections and the Bundesbank's little difficulties with the government's plan for gold," he said.

The newly-elected leftwing government in France has questioned the terms of the Maastricht treaty on European integration. In Germany, the Bundesbank has strongly resisted government plans to revalue the central bank's gold reserves and use part of the proceeds to reduce the public deficits.

"If you look at the evolution of forward foreign exchange prices, you can see that the markets are now expecting a broader Emu," Mr Davies said. "But volatility [in the financial markets] depends on the degree of certainty which politicians can give about the progress towards [Emu].

"If it were suddenly decided that there were going to be a narrower Emu, or no Emu, what would be the effect on portfolios and on balance sheets?"

Mr Davies also said the UK's wait-and-see attitude to Emu, "while not tidy, has a lot of attractions in it because the progress towards Emu has not been as smooth as some would have thought".

Germany's troubles are gold for Blair

Emu's travails give the government a valuable opportunity

Chancellor Helmut Kohl's troubles over European monetary union have produced both mirth and anguish among UK Conservatives.

For MPs who pressed Mr John Major, the former prime minister, to rule out UK membership, events in Germany and France that have imperilled the single currency's deadline have come a few weeks too late.

For the Labour government, Mr Kohl's retreat in the face of Bundesbank stringency on gold and the election of socialists in France less intent on convergence criteria have been good news.

Mr Tony Blair yesterday gave his strongest indication yet that he would press his EU colleagues not to push ahead with a January 1999 start date if the criteria were "fiddled, botched or fudged".

Britain holds the EU presidency in the first half of 1998 and has no desire for the single currency issue to dominate the period. Mr Blair is keen to push a different agenda in Europe, with more emphasis on jobs and flexibility than Emu.

He will use a conference of heads of socialist governments in Malmo, Sweden, to stake his claim to be the leading player in a more pragmatic centre-left EU. He meets tonight with France's new prime minister, Mr Lionel Jospin, and tomorrow with Mr Kohl in Bonn.

"You would be right in saying we're not crying too much into our beer over the Emu problems," said a top UK official. "But we're not going to be the ones pushing it, largely on the grounds that it won't enhance the case for a delay if it's seen to be coming from us."

While officials acknowledge that Emu is not dead and buried, the neutralising of what could have been a *difficult* long-term conundrum has reinforced the impression that Mr Blair is enjoying a period of unparalleled good fortune.

Any *Schadenfreude* by Conservative Eurosceptics at Mr Kohl's travails is offset by frustration at the late conversions of Mr Major and former chancellor Mr Kenneth Clarke who they believe failed to solve internal divisions on Emu before and during the election campaign.

Both men have changed their line in recent days, using the latest developments in Bonn and Paris to disengage from their long-held "wait and see" approach to Emu.

"He regrets nothing," said an ally of Mr Major. "'Wait and see' was right at the time. Now we've waited and seen what's happened."

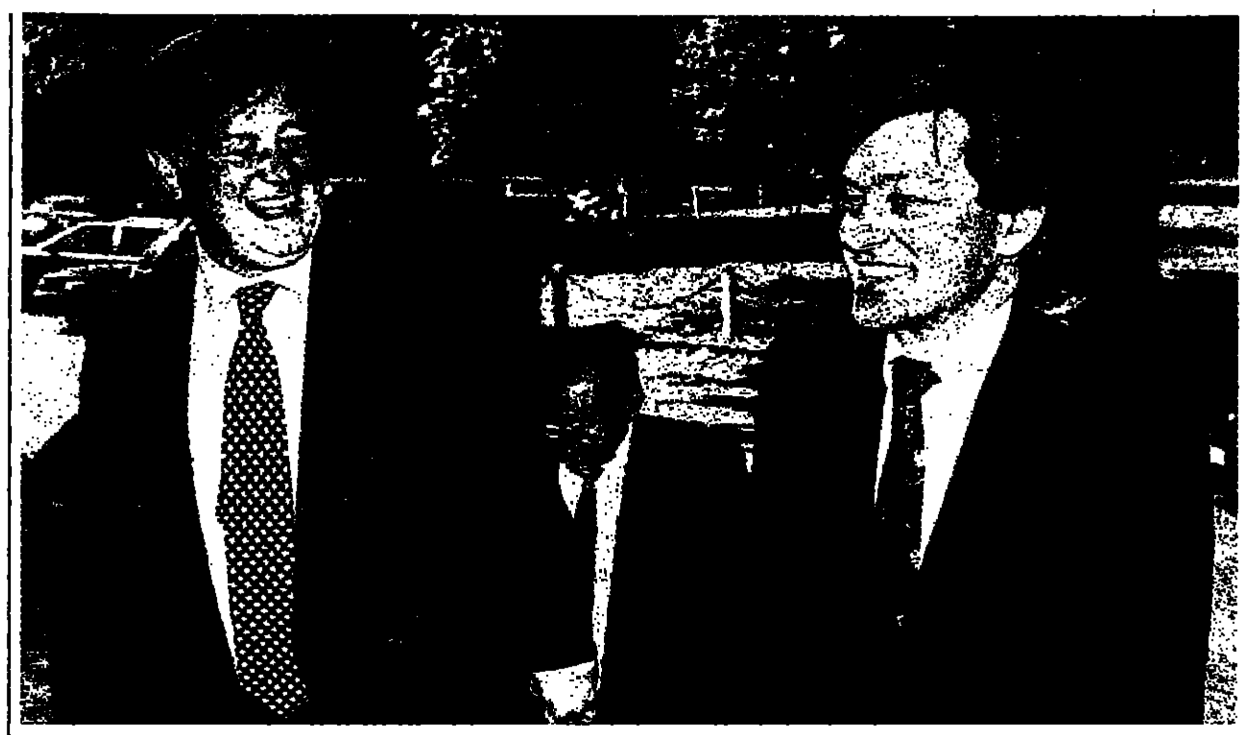
Mr Clarke, the favourite for next week's contest to replace Mr Major as Tory leader, warned that a single currency was now "much, much less likely to succeed".

"We can say 'look, it isn't happening on the right basis, so let's put it off. Let's try to get economic conditions right across Europe'. I think that would be a good thing to do," Mr Clarke said.

To Mr Clarke's rivals his conversion is too late. "We're all on our best behaviour at the moment," said one MP. "But many of us are smarting that it was he who stopped us from adopting a policy on Emu that we could have sold the electorate with more conviction."

Another said even if the events had taken place in Germany and France two months earlier, they would have come too late for a significant improvement in Tory electoral performance.

John Kampfner



Press Association

Kenneth Clarke, with Stephen Dorrell who has withdrawn from the party leadership race, arriving for a news conference

Leadership blow for ex-minister

By James Blitz, Political Correspondent

Mr Michael Howard's bid to win the Conservative party leadership yesterday suffered a fresh setback when another former subordinate questioned his behaviour as Home Secretary.

Mr Charles Wardle, a former immigration minister, indicated that he had once been instructed by Mr Howard to "find a way" of giving citizenship to one of the Fayed brothers, owners of Harrods, the department store.

Mr Wardle said the granting of citizenship to Mr Ali Fayed, brother of Mr Mohamed Fayed, the Harrods chairman, would have been "unlawful".

He said it would have required officials to "cast a blind eye" to a 1985 report into the brothers by the Department of Trade and Industry – which severely criticised aspects of their takeover of House of Fraser.

In sharp contrast to the recent attack from Miss Ann Widdecombe, the former prisons minister, Mr Wardle refrained from mentioning Mr Howard by name.

He emphasised that his concern was the belief that the brothers had been "stitched up" by a "flawed" DTI inquiry and that reform of such procedures was urgently needed.

But friends of Mr Wardle confirmed that the 1994 instruction to reconsider Mr Ali Fayed's bid for citizenship had come from Mr Howard. They suggested that – in contrast to allegations that Mr Howard had wanted to block the Fayeds' application – Mr Howard had been keen to end his long-running dispute with the brothers.

Mr Howard's aides denied allegations that he had instructed Mr Wardle to find ways of granting citizenship. "At no time did Michael ever instruct Charles Wardle to turn a blind eye to the DTI report," said one.

Mr Wardle told MPs: "I explained that the provisions of the British Nationality Act require officials to carry out character checks on applicants. In doing so, they could not disregard highly adverse criticism in a report published by another government department [the DTI]."

But Mr Wardle was "instructed to pursue further references at the time that might be favourable to Ali Fayed." He reasserted that "short of striking out the DTI report it would still remain an insuperable obstacle for officials in the course of their statutory duties."

A new investigation into whether Mr Fayed could get citizenship then took place but both Mr Wardle and his successor agreed nothing more could be done.

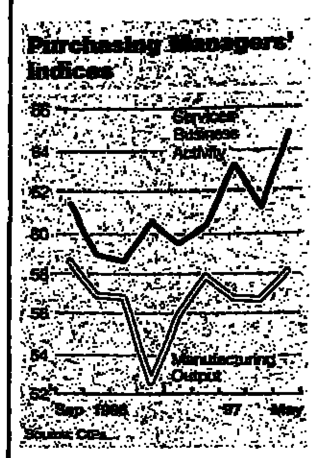
Centre-left unites around 'big hitter'

Mr Kenneth Clarke's bid for the Conservative party leadership yesterday won a significant boost when Mr Stephen Dorrell, one of his rivals, dropped out of the race and backed the former chancellor of the exchequer. In a move that unites the centre-left of the party behind a single figure, Mr Dorrell declared Mr Clarke "the outstanding figure of contemporary British politics" and "the big hitter of his generation". The move will raise fears among rightwing MPs that Mr Clarke is gaining an unstoppable lead. The former chancellor is now certain to be ahead of his four rivals after the first ballot next Tuesday night, with between 50 and 60 votes. Mr Dorrell's switch to Mr Clarke's side followed a five-week campaign in which the former health secretary failed to secure support from more than a dozen of the 164 MPs. The new alliance increased fears among supporters of Mr William Hague, the former Welsh secretary, that his vote may be squeezed between left and right factions.

Yesterday's move was significant because Mr Dorrell had been regarded as a potential backer of Mr Peter Lilley, the former social security secretary, or Mr Hague himself.

UK NEWS DIGEST

Bank committee starts first talks



The newly appointed monetary policy committee of the Bank of England, the UK central bank, begins its first discussion of interest rates today amid signs that activity in the service sector is racing further ahead *of the rest of the economy*. The Chartered Institute of Purchasing and Supply's latest monthly survey shows demand for services accelerating and continuing to outstrip the growth of capacity in the industry. This is being driven by strong consumer spending, while demand for exports – mostly goods, rather than services – lags behind. Mr Eddie George, the governor of the Bank, said the monetary policy committee would face the same dilemma that had faced the authorities for some time. "It is to balance the degree of tension – I don't exaggerate, it's not a conflict – between pressure of domestic demand, which has been running above the sustainable rate, on the one hand and the exaggeratedly strong exchange rate on the other," he said, after meeting senior international bankers at the Swiss resort of Interlaken.

A Reuters survey of 21 City economists showed 12 expecting base rates to rise from their current 6.25 per cent to 6.5 per cent when the outcome of the policy committee's meeting is announced tomorrow. *George Graham*

■ TOURISM

Strong sterling causes tail-off

Britain will have to fight hard to attract visitors from mainland Europe this year due to the strength of sterling, the British Tourist Authority warned yesterday. Mr. Anthony Sell, chief executive of the BTA, which markets Britain to overseas visitors, said that business from mainland Europe had levelled in the first quarter after a period of rapid growth. Sterling has increased by 19 per cent against the D-mark and the French franc in the last 12 months. Europe is Britain's biggest market. Visits from increased by 13 per cent last year, compared to 1995, fuelling a 9 per cent rise to a record 26m tourists. But figures from the Office of National Statistics showed the number of European visitors remained static at 3.25m in the first three months compared to last year.

The American Society of Travel Agents said London remained the most booked international destination this summer. *Scheherazade Daneshkhu*

■ INTERNET

Rock band fights unofficial sites

The management of Oasis, one of the UK's most successful rock groups, is monitoring dozens of unofficial internet sites dedicated to the band to decide whether to sue them for breach of copyright. Last month Ignition, the band's management company, sent a formal warning to all unofficial Oasis web sites, most of which are run by the band's fans. It threatened to take legal action unless they stopped making unauthorised use of copyrighted material. Creation, Oasis' record label, said yesterday that most of the sites had complied with Ignition's instructions by deleting unauthorised material. But several sites have stated publicly that they intend to ignore Ignition's warning. *Alice Rawsthorn*

■ AGRICULTURE

New green pound angers farmers

Farmers' leaders will today renew their demands for compensation for the strength of sterling against the European currencies, which triggered a near 3 per cent revaluation of the green pound at midnight last night. The green pound is the exchange rate at which EU subsidies and payments are translated from the Ecu into sterling. A revaluation of the green exchange rate causes falls in support payments and thus cuts farm profits. After two earlier revaluations this year, the National Farmers' Union pressed the government for more than £500m ($815m) in compensation. The latest revaluation will increase the amount of compensation. The new green rate was calculated at 1 Ecu = 0.720829p, compared with the previous rate of 0.742320p. At the start of the year the rate was 1 Ecu = 0.809915p. *Maggie Urry*

Corporate merger test dropped

Labour to tighten law on cartels

By Stefan Wagstyl, Industrial Editor

Mrs Margaret Beckett, the trade and industry secretary, yesterday confirmed that Labour has abandoned plans to impose a tough new competition policy test on corporate mergers. However, she pledged to pursue plans to strengthen laws governing cartels and anti-competitive behaviour.

The test, which would have required companies planning mergers to show they were in the public interest, has been dropped in the face of concerted opposition from business.

The government plans to introduce a Parliamentary bill in October, which will contain penalties for companies breaking the law.

Mrs Beckett outlined her proposals for competition law reform in her first important policy speech since taking office. She told business people and trade unionists her central task would be to "enhance competitiveness and so advance the cause of Britain."

Mrs Beckett said the government had also scrapped further consideration of proposals to unify the Office of Fair Trading and the Monopolies and Mergers Commission, the two main competition authorities.

She conceded that some of her ideas were similar to those of her Tory predecessors, saying: "I have no intention of indulging in change for change's sake – after all, some of the courses that were taken by previous governments were based on proposals that we ourselves devised."

Mrs Beckett promised more wide-ranging consultation than before with employees and trade unionists as well as with employers. "I believe our predecessors showed an unhealthy abhorrence of the prospect of common ground," she said.

Mrs Beckett drew warm applause with repeated calls for partnership between the government and business. "It is crystal clear that, if our future is to be one of prosperity and harmony, Britain must become and remain more competitive, and the path to competitiveness is one of partnership," she said.

Mrs Beckett confirmed that the government's competitiveness unit, which was moved by the Conservatives from the Department of Trade and Industry to the Cabinet Office, was returning to the DTI.

Mrs Beckett promised an audit of UK competitiveness which would lay out strengths and weaknesses – unlike Tory reports, which, she said, had often painted an over-optimistic picture. A "competitiveness summit" will be held in July.

She indicated that governments would play a more active role than under the Tories, but would act in partnership with business: "The view that government cannot and should not seek to do everything has lately been used as an excuse for government doing nothing – yet sometimes there is a role that only government can play."

For example, the government had reversed a Tory decision to change the way that public support for participation in trade fairs was provided. Labour had restored the previous system of setting aside special funds for trade fair support. The Conservatives had announced that companies planning to participate in overseas trade fair would have to compete for funds with those seeking money for other schemes.

Press Association

Protesters chain themselves to briefcases containing tape recorders playing ocean industrialisation sounds at Conoco Oil's boardroom in London. The occupation was to protest at the company's plans for exploration of the Atlantic frontier

Businesses join in fight to cut car pollution

By Charles Batchelor, Transport Correspondent

Car commuters, whose journeys to work account for nearly a quarter of all car mileage, are to be targeted by a campaign aimed at persuading them to switch to cycling, walking or public transport, the government announced yesterday.

The company car driver is to be persuaded to choose a smaller, more fuel-efficient car and to drive it more carefully.

Mr Gavin Strang, transport minister, launched an initiative which has united government, environmentalists and some of Britain's biggest companies in the fight to reduce congestion and pollution. "If we care about our environment and our quality of life then we need to change our current travel patterns," Mr Strang said. "Business has a crucial role to play in improving the air we breathe."

The campaign provides further proof of the importance the government attaches to transport issues as the key to environmental improvements. It follows the creation last month of a combined ministry responsible for both areas.

It contains no new concrete measures or hints of any change in the tax status of the company car. But it reiterates the government's support for European plans to tighten emission limits and allow municipal authorities to fine vehicles which fail roadside emission tests.

It will involve the creation of a "partnership for green commuting" by seven leading companies – including Body Shop and Boots, the retailers, and NatWest bank – to share their experience of developing strategies aimed at reducing journeys to work. Each company has signed a "letter of intent" which commits it to implementing a package of measures to reduce journeys to work.

"Traffic is predicted to rise by well over half by 2025 and many employers are facing a crisis caused by car dependence," said Mr Stephen Joseph, director of Transport 2000, a lobby group which promotes public transport.

Works councils loom larger on the horizon

Brussels sees a greater role for employees as part of the European ideal, says **Robert Taylor**

Private UK companies face the growing likelihood that they will have to set up consultative works councils within five years, following the publication yesterday of a European Commission document on worker information and consultation structures.

For the UK – unlike most other EU states – the proposals will represent a shift to legal regulation in an area previously ruled by agreement.

Mr Padraig Flynn, the EU's social affairs commissioner, hopes unions and employers can negotiate a deal on worker information and consultation that will satisfy him. They have six weeks in which to respond. Mr Flynn must then decide whether to issue a legislative proposal.

At that stage, the so-called social partners – the European Trade Union Confederation, and Unice and CEEP, the employer organisations – may inform the commission they wish to try to negotiate a deal.

Mr Flynn would then suspend any move to legislative action for nine months to give the sides time to reach agreement.

If this failed, he would press ahead with a legally binding directive through agreement among member governments.

His eight-page paper on consultation and information emphasises that industrial relations in companies in the EU are "characterised by the increasing involvement of employees and their representatives at different levels".

This has given them "a more active role within the company in addition to their contribution in terms of production of goods and services," it says. "A reinforced role for employees and their representatives in the operation of the firm is an essential element of the European model of society. At the very least, this involvement of employees means the right to prior information and consultation on managerial decisions which affect them."

The provision of information and consultation with employees is "crucial for the acceptance and the success of the process of company restructuring and change," it says.

The need for this already applies by law across the EU over collective redundancies and the transfer of business ownership.

The existing European works council directive requires all companies employing more than 1,500 workers in at least two member states to create works councils.

Mr Flynn argues that the aim of the new proposal is to improve competitiveness by ensuring a "skilled, mobile, committed and responsible workforce" that is "capable of taking on board technical change and rallying around the objectives of increased productivity".

Consultation and information structures would enable companies to "implement genuine forward management of their employment supported by training, retraining and redeployment to avoid the social cost of change, particularly *in the event of job losses*".

The document recognises the "vast majority" of EU states have a "substantial legal arsenal" through law or collective agreement on worker information and consultation". But it suggests these rights are "not always effectively guaranteed", because "the involvement of the workers' representatives is situated too far downstream of the decision-making process".

Mr Flynn is flexible on the form the structures would take.

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TECHNOLOGY

Nicki Brimicombe on chaperon proteins that help plants resist high temperatures

Plants like it hot

It is many years since society dispensed with chaperons, those prim and proper maiden aunts who safeguarded the virtue of impressionable young ladies. But plants remain old-fashioned and their preference for propriety is paying off.

According to the United Nations, 3bn people will face serious water shortages in the next 30 years. As global warming escalates and green fields are transformed into dust bowls, the sight of wilting plants has become all too *familiar*.

Although drought and high temperatures are irritating for gardeners, they can signal financial ruin for farmers and escalating costs for consumers, because such *environmental stress factors* reduce crop yield and quality.

Planta, the German biotechnology company, and researchers from the University of Tübingen, also in Germany, have announced a collaboration aimed at developing food crops with innate resistance to environmental stress factors.

High temperatures damage plants because they cause proteins, such as those needed for cell division or energy production, to "denature" or change shape. This leaves them incapable of performing their proper tasks.

Many plants have in-built mechanisms to help them resist the worst affects of high temperatures.

One defence system centres on the production of "chaperon" proteins which protect other proteins, preventing them from changing shape and thereby preserving their function.

The production of chaperon proteins is triggered by a number of molecular switches. The switches are always present in the plant cells, but under normal conditions they are turned off. When activated by stress, they bind on to gene promoters which subsequently initiate the production of chaperon proteins.

Fritz Schöffl, professor of plant genetics at Tübingen, and his team have been working on a molecular switch called heat shock factor (HSF) in *Arabidopsis* plants. By linking HSF to an enzyme, glucuronidase, they have found a way of activating the molecular switch and stimulating the low level production of chaperon proteins under normal temperatures.

"We have found a way of activating chaperon protein production up to about 20 per cent of what we expect to see in a stressed plant," says Schöffl.

"This means the plant is preconditioned to cope with stress, so that when it experiences high temperatures the adverse effects are minimised. This is because there are some ready-made chaperon proteins on stand-by to protect the plant."

Reinhard Nehls, head of research at Planta, says he was surprised to find that there was no penalty associated with the premature production of chaperon proteins. "So far research indicates that there are no downsides," he says.

As Schöffl points out: "Even if the plant does divert some energy into making the chaperon proteins, the benefits of being ready to combat stress – in terms of improved yield and quality – *would probably* outweigh the minor cost of making them in advance."

Schöffl has been investigating heat resistance in plants for more than 17 years, latterly under the auspices of Amica Science EEIG – *a consortium* of the Max Planck Institute for Plant Breeding in Cologne and the John Innes Centre in Norwich, UK.

Amica has been charged with co-ordinating a European Union project to bring together 130 plant biotechnology laboratories and tackle important issues facing agriculture in Europe.

One of its tasks has been to ensure that new technology emerging from the laboratories is transferred rapidly to European industry where it can be exploited and protected.

Amica played a central role in highlighting the commercial potential of Schöffl's work to Planta. The German company is a subsidiary of the European plant breeding company KWS, and has bought the rights to the technology.

It aims to use Schöffl's findings to produce commercial crop plants with an in-built resistance to environmental stress.

Schöffl's team and Planta are looking for a way of activating *heat shock factor* in commercially important crops such as oilseed rape and sugarbeet. They are researching two approaches: the first is to transfer the genes for activated HSF from *Arabidopsis* into crop plants.

The second is to isolate and activate homologous HSF which exist within the crop plants. Planta hopes to begin field trials with the first modified plant in the next two years.

Additional research by 12 Amica-linked laboratories in five countries underlines the significance of HSF.

Early studies indicate that its activation affords protection to a broad range of environmental stresses including cold, heavy metal exposure, drought and salt – in addition to high temperatures.

In the long term, the research could lead to multi-stress resistant plants which not only like it hot but relish any extreme the environment can offer.

Bad blood over patent

A small US biotechnology company is fighting to keep a cancer treatment on the market as it opposes a large medical equipment company and a prominent university over a patent.

The skirmish pits CellPro, based in Bothell, Washington against Johns Hopkins University and Baxter International. The dispute concerns a CellPro treatment, based on research carried out at the Fred Hutchinson Cancer Center in Seattle, which allegedly infringes a patent held by Johns Hopkins University.

CellPro's treatment, Ceprate, is used in bone marrow transplants connected with cancer treatment. It collects healthy stem cells, the progenitors of blood and immune cells. The cells are reintroduced to patients after their chemotherapy.

More than 5,000 patients have received Ceprate, including children with intractable leukaemia – with some encouraging results.

CellPro portrays itself as an advocate for desperately ill cancer patients and the target of a ploy by Baxter to remove the only competitor to its own stem cell system, called Isolex. Baxter and Johns Hopkins say CellPro is unnecessarily scaring patients by saying a court order will shut down its clinical trials and drive it out of business.

In an unprecedented move, CellPro has asked the government to keep Ceprate on the market under the Bayh-Dole Act, which allows the government to repossess a patent to address a public *health need. The company* has the support of the American Cancer Society and congressmen, who have asked the government to intervene.

Patent lawyer Cal Griffith, *of Jones, Day Reavis &* Pogue, based in Cleveland, thinks CellPro has a chance. "The petition with the government is a nice first step. It raises the profile and publicity of this case, and puts the most pressure on," he said.

At issue are the special antibodies used to ferret out stem cells. A Johns Hopkins researcher discovered how to isolate and purify the cells and Hopkins received patents on the technology. Hopkins gave an exclusive licence to Becton Dickinson, which sublicensed Baxter.

Ceprate was approved in Europe in July 1995, six months after Baxter's Isolex came on the market. In the US Ceprate received government marketing approval last December, and Baxter expects to win approval for Isolex by the end of the year.

Richard Murdock, CellPro's chief executive, said the company "has always been willing to pay a reasonable royalty to avoid litigation," but Baxter kept on changing the terms of the agreement. Baxter said CellPro refused to accept a licence on three occasions on the same terms accepted by two other biotechnology companies. "If we were trying to clear the market of competitors, we certainly would not have licensed out the technology," said Baxter.

In March a federal judge ruled that CellPro wilfully infringed the Hopkins patent. An injunction may follow within the month. In the meantime, Baxter and Johns Hopkins have asked the federal court to permit CellPro to continue selling its device until an alternative is approved, and complete all its government-approved clinical trials. They *want CellPro to pay them* about $2,000 for each Ceprate system it sells.

Murdock said these conditions would put CellPro out of business. "We certainly will file an appeal. There is a *lot to do here to save this* company."

Marjorie Shaffer

Worth Watching · Vanessa Houlder

The heart of gene therapy

One of the hurdles to using gene therapy to treat heart disease appears to have been overcome by scientists at Johns Hopkins University in the US who have developed a technique that efficiently delivers genes to heart cells.

The researchers used a disabled version of a common virus to "infect" the muscle cells of a rabbit's heart with a new gene. Previous researchers who tried similar techniques were partially successful. The Hopkins scientists said several factors, such as warm heart temperature, high concentration of the virus and prolonged exposure to the virus, increased the success of the technique.

Gene therapy could potentially be used to cure a variety of heart diseases, but more research is needed before it can be used in clinical trials.

Johns Hopkins University: US, tel 4109558725; http://hopkins.med.jhu.edu

Checking up on vaccinations

Inoculations against tetanus do not always work. But cases where the vaccination has failed to give immunity can now be identified.

ABD Technologies, based in Aubagne, France, is marketing a relatively cheap, simple test that only requires a drop of blood and can be read in 20 minutes. The test can be used in casualty departments, where it can save patients from having unnecessary boosters and immunoglobulin injections. ABD Technologies has produced a similar test for diphtheria and is developing tests for other diseases.

ABD Technologies: France, tel 442821852; fax 442821854.

New approach to magnetics

Magnetic filtration techniques are used in industry to separate impurities that have a magnetic charge. But this approach relies on electromagnets to produce the required magnetic field.

Researchers at the University of Southampton in the UK are using permanent magnets which are portable, cheap and easy to install and maintain. The scientists have patented their method of switching off the magnetic field, which depends on changing the configuration of the magnets. The system is suitable for small scale devices, such as air filtration. The researchers believe the system could be excellent for industrial applications.

University of Southampton: UK, tel (0)1703 593807; fax (0)1703 593285.

Salting away the bitterness

Why is it so hard to make low-sodium foods taste palatable? An insight into this question has been provided by research into salt's ability to enhance other flavours.

Scientists at Monell Chemical Senses Center in Philadelphia, US, suggest that salt filters flavours so unpleasant tastes such as bitterness are suppressed more than palatable tastes such as sweetness. As a result it would increase the intensity of the pleasant taste, according to a report in today's Nature magazine.

They tested their theory on 21 volunteers.

The researchers suggest that *most people's desire* for salt in a wide range of foods may be due in part to its ability to suppress unpleasant flavours. That means that the search for a sodium-free alternative to taste could usefully investigate other substances that block bitterness.

Monell Chemical Senses Center: US, tel 2158985121; e-mail: beauchamp@pobox.upenn.edu

ARTS

Cinema/Nigel Andrews

Radiant losers in the frame

Drifting Clouds is piercingly miserable and wonderfully funny. The central couple of Finnish director Aki Kaurismaki's new film, like the radiant losers who haunted his earlier *Ariel* and *The Match Factory Girl*, seem to have stepped straight off the screen into our lives. They have both a Beckettian resonance, like all who spend too much time soliloquising inside life's dustbins, and a luminous primitivist charm, like the Sunday-painted social waifs and strays of Fassbinder's films.

DRIFTING CLOUDS
Aki Kaurismaki

CON AIR
Simon West

THE FIFTH ELEMENT
Luc Besson

MEN WOMEN: USER'S MANUAL
Claude Lelouch

ALIVE AND KICKING
Nancy Meckler

The dustbin here is recession Helsinki. The wan, duckling-faced wife (Kati Outinen) who loses her head-waiting job in a gloomy formal restaurant and the husband (Kari Väänänen), who is simultaneously made redundant by his tram company, try to keep up each other's morale. But merely looking at each other's faces each day must defeat that. She resembles a Modigliani sitter suffering from anorexia. He is a stocky lumpenprole who occasionally keels over in a dead faint on the hall carpet, as if symbolically protesting against the universal work-market advice to "stand on your own two feet."

The film makes an art out of transparency. The dialogue has more pauses than words, the characters' bleak non-specific expressions are made up of unjoined dots – *we* must work to discern emotions and guess at linkages – and Kaurismaki's camera virtually never moves. Each framing is locked into place like a passport photo. Yet each scene is perfectly pitched and pregnant with feeling: from the impassive hint of tears in Outinen's eyes as she dusts the framed photo of never-mentioned, never-seen child to tiny comic throwaways like the communal farewell toast in the restaurant's kitchen where a lone orange juice is reserved for the too vodka-prone chef.

Kaurismaki's realism is at once so focused and so poker-faced that it sometimes goes beyond the realist altogether. Many of the settings are in shades of blue, as if to match the comic mournfulness, and in two scenes workmen are actually glimpsed *painting* a wall blue as we watch. Likewise, real shades into hyper-real when the wife, dismayed by a call from her husband saying he is going away, drops the wall-phone, leaving it to dangle in space for long, bleak seconds like some vital organ in the middle of a surgical operation. "Life is short and miserable, let's make the most of it," says a drinking pal of the husband. It is the only message that *Drifting Clouds* needs. The proper subject for human comedy, says Kaurismaki, is the same as that for human tragedy. However much we hate life, however much it disappoints us, we always seem to want more of it.

★

A dialogue with more pauses than words: Kati Outinen and Kari Väänänen in 'Drifting Clouds'

There is one certainty with a film produced by Jerry Bruckheimer (*Top Gun*, *Days Of Thunder*, *The Rock*): it will not be based on a novel by Henry James or Jane Austen. The bad characters will try to destroy the good characters and the good characters will use necessary force – guns, knives, bombs and bazookas, their deployment accompanied by wall-to-wall rock music – to blast the bad characters out of the sea, sky or landscape.

Con Air is a connoisseur action movie. We are in over our heads almost before the credits roll. Texas Ranger Nicolas Cage kills a bully in a street fight and goes to poky for seven years. Paroled in time for his daughter's eighth birthday, he climbs aboard a convict transport plane containing John Malkovich as a rabble-rousing maniac determined on hijack and escape, and the minimum but necessary rabble required to help him. These include a Hannibal Lecter-style serial killer (Steve Buscemi), a multiple rapist, a drug addict and a demented drag queen.

A first-time British director, Simon West, is responsible for the Armageddon that follows. As usual with Bruckheimer productions, no free-standing structure is left intact, from airport control towers to neon monuments in Las Vegas, and the actors are left gamely trying to insert their dialogue into the gaps between screen-rending explosions. Good fun, if you can stand it.

Con Air is at least linear and absorbing. *The Fifth Element*, which also goes "Bang" for two hours or more, is largely incomprehensible. If you can imagine an elaborate boardgame conceived by Jorge Luis Borges and developed by the Marquis de Sade, you will still fall short of the full, frenzied incoherence of Luc Besson's sci-fi epic. Bruce Willis, 23rd-century aerial cab driver, becomes ensnared in a war between good and evil involving a mysterious robotic damsel (Milla Jovovich), a priest with the key to the future (Ian Holm) and a crazed master of the universe with a Texas accent and Hitler forelock (Gary Oldman).

Most unnervingly of all, the world of the future is dressed by Jean-Paul Gaultier. Big on bondage motifs, it has S-M dialogue to match, sometimes borrowed from Friedrich Nietzsche. "What doesn't kill ya makes ya stronger", snarls someone. French writer-director Luc Besson (*Subway*, *Nikita*, *Leon*) has previously given us kinky tales of sex-war and spy-war gamesmanship. Here he combines both with large morsels of *Star Wars* – plus *Blade Runner* and *Metropolis* – and has manifestly bitten off more than he, or any of us, can chew.

Besson's compatriot Claude Lelouch is a more *ancien régime* director. He dates back to the late New Wave, so he makes films about human beings, or at least convincing simulations thereof. French critics may have poured scorn on his most famous calling card, *A Man And A Woman*, with its tinkly sentimentalism, but the title of his new film *Men Women: User's Manual* shows that Lelouch still favours large gender abstractions in tales of love, loss and instructional heartache.

He has learned a little tartness, though. A womanising, fast-lane businessman (Bernard Tapie) and a young undercover cop (Fabrice Luchini) swap medical destinies when a beautiful doctor (Alessandra Martines), for dark reasons of revenge, gives each the other's cancer test results. Subplots about a boy-girl romance, a street busker hoisted to fame and a beautiful con-woman (Anouk Aimée) add to the multi-strand meditation on chance, will and kismet.

Lelouch still shows a weakness for snapshot cuteness in characterisation and for greetings-card photography – here Lourdes mantled in snow. But the film gains strength from an inspired casting choice: that of non-actor Tapie, the ex-manager of Marseilles football team who won a tax martyr's kudos when given a harsh jail sentence. Now released, he plays the opinionated co-hero with a brusque, expansive charm that knocks most of his professional rivals off the screen.

Alive And Kicking gets nine points for bravery, one for pith and cogency. A tale of love, ballet and Aids, it dares to explore an oddly-matched love affair between virus-affected dancer Jason Flemyng and vodka-drinking older counsellor Anthony Sher. But around this rough, real centre all is "The show must go on, darling." Martin *Bent* Sherman's script shows no mercy to troupers like Anthony Higgins as a dying, accented dancemaster ("My father fought with Castro in the mountains") or Dorothy Tutin, playing the woman the company dub their "inspirational demented figurehead."

Theatre

Festival of the senses

Happy days are here again. The ninth London International Festival of Theatre has opened, promising various delights from firework displays by the "French wizard" Christos Berthonneau to a gastronomic fiesta at Battersea Arts Centre. There are two visions of Israel: Joshua Sobol's at the Lyric Theatre, Hammersmith and a rewriting of Athol Fugard's *Sizwe Banzi is Dead* by the Palestinian Al-Kasaba Theatre. Also on offer is a bizarre palimpsest of Australian culture from erotic performance art at the Royal Court to *The Seven Stages of Grieving* by the Aboriginal Theatre Group Kooenba Jdarra Indigenous Performing Arts. With the end of British rule in Hong Kong there are productions from contemporary Chinese theatre and discussions on what the handover will mean.

The organisers of the LIFT festival tell us that this year it is a festival of the senses, and what better introduction can we ask for than their opening performance. *Oráculos*, by Enrique Vargas's Taller de Investigacion del Imagen Teatral, takes place in what is in reality a former coach station in King's Cross but rapidly becomes a playground of the imagination.

Based on the Oracle at Delphi and on the Eleusian Mysteries which centre on the goddess Demeter, the show uses Tarot cards as the key to the journey. Entering the labyrinth one by one, visitors are asked to formulate a question. Wheat becomes the embodiment of each question and, like the audience, it is transformed by the end of the journey.

Travelling through different spaces, sometimes alone, sometimes with a guide, all senses are stimulated. The guides are by turns playful, serious, dangerous, mischievous, wise, neutral as they lead you through a sensory drama which is more than partly of your own creation. Coming out into the noise and bustle of King's Cross it feels as if we have been given a precious but fragile gift and to attempt to render it into words would make it disappear.

Vargas has worked for many years using the labyrinth as a tool for dramatic exploration. After his initial theatrical work in New York, he set up his theatre workshop in Columbia where he drew on different theatrical forms and ideas from various scientific fields in an attempt to explore the world of the senses.

His work has not been seen in Britain since 1994 when he presented *Ariadne's Thread* based on the legend of the Minotaur, in which he used the senses of touch and smell to place the spectator at the centre of the dramatic experience. Experience it.

Sam Albasini

Oráculos at the former Coach Station, 23-25 Northdown Street, N1 until June 15 (0171 312 1995).

Bath Festival/**Stephen Pettitt**

Enthusiastic reception for new music

This year's Bath Festival boldly attempted to be all things to all people, and by and large it succeeded. There was the usual resident artist, that eternally affable pianist Imogen Cooper. We had a jazz weekend. Period-style and early music took its rightful place. And, completing the musical jigsaw, a weekend devoted to that *bête noire* of local authority sponsored festivals, contemporary music.

Bath's unitary authority paymasters need fear nothing, because the half dozen concerts were received wholeheartedly into the bosom of this newly vibrant festival, and, for the most part, without presenting work couched in consciously populist idioms. The featured composer, for instance, was Iannis Xenakis, hardly easy listening. But Bath clearly has an audience for this kind of music. Most concerts were extremely well attended by young and old, experienced and green. From what I overheard it seemed that they responded well to the forum-like atmosphere. Like art-gallery punters, they had paid for the experience, not for a guarantee of delight.

Xenakis himself was in attendance, receiving an honorary doctorate before one of the percussion duo from Les Ateliers UPIC, a group founded by the composer in 1986, launched himself wholeheartedly into the explosive, athletic sounds of *Rebonds* to open the weekend's proceedings. Two tape pieces, *EROD* (a festival commission) and *S.709* made some interesting noises but confirmed at least for me that Xenakis is best played by musicians, not machines. And other works – Brigitte Robindore's *Comme etrangers et voyageurs sur la terre*, Takehito Shimaza's *Monodie*, Pierre Bernard's *Kiron* and David Revill's *Movements* – seemed derivative, over-ambitious, and, usually, over-loud.

This disappointing start was balanced by a disappointing end, a concert by the Graham Fitkin Group. Fitkin is a pleasant man and he means what he does. But the coolly spoken introductions and the flip, repetitive music – hammered piano chords, frantically scraping violin and cello, and the inevitable wall of saxophones, a cliché of minimalism if ever there was – were rudely exposed as passé, the non-music of the early 1990s. Fitkin introduced one work by saying only that he couldn't think of anything interesting to say about it. Quite. His leaving present was a new three-movement work, commissioned by the festival, called *Ironic*. Two works by Xenakis came, unironically, as blessed relief – the thrillingly accumulative *Psappha* for percussion (Richard Benjafield) and the wildly expressive *Kottos* for cello (Anton Lukoszevieze), both played with relish.

The centre of the weekend sandwich was richer by far. Rolf Hind delivered a challenging piano recital with swaggering command. His programme included Michael Finnissy's *Snowdrifts*, complex yet ultra-refined and poetic; a ravishingly scored and beautifully worked piece by Simon Holt, *Nigredo*, about the alchemical process; Xenakis's powerful *Evryali*, as gritty and anarchic and cogent as any late Beethoven, and *Mists*; and Paul Newland's pithy suite *Phlegm, Blood, Bile*, less yucky than its title suggested.

The group Reservoir gave Xenakis's *Kai*, a tough, jagged piece of rhythmic counterpoint, and *Palimpsest*, an attractive, and again technically challenging, formal conceit, along with two vivid essays, Barry Guy's *Bird Gong Game* and Alwynne Pritchard's *Craw*, and – a revelation for me – Frank Zappa's fluent, intelligently eclectic *Dupree's Paradise*.

But one concert towered above the rest, and it was given by amateurs. James Wood's New London Chamber Choir, seemingly oblivious of the mountains they set themselves to climb, tackled with poise Ockeghem's wonderfully solemn-dramatic *Requiem* and, with staggering accomplishment, three choral pieces by Xenakis. If the last, *Medea Seneca*, demanded more of the singers (all male in this case) with its rhythmically complex ritual chantings, a more dramatic impact still was made by the harrowing howlings of *Nuits 10*, a work for 12 mixed voices about disappeared political prisoners which ends in an all too obviously significant cough of expiry.

But the tour-de-force of the evening was a stunning performance of *Serment*, an exultant exercise in choral virtuosity based on the words of the Hippocratic Oath and delivered with unbelievable confidence, joy and expertise. After it, choir and composer – who to my ears is obviously at his best when writing for the voice – were received with something like ecstasy, and quite rightly too.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20 573 2737
● Dutch Interior Design 1895-1930: exhibition examining the efforts of the Dutch avant garde to transform interior design into an art form; to Jun 15

BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Berliner Streichsextett: performs works by Martinu and Brahms; Jun 8

EXHIBITION
Gemäldegalerie – Bodemuseum Tel: 49-30-209050
● Herren der Meere – Meister der Kunst. Das holländische Seebild im 17. Jahrhundert: exhibition featuring 17th century Dutch marine paintings; to Jun 8
Kupferstichkabinett – Sammlung der Zeichnungen und Druckgraphik Tel: 49-30-26629598
● Paul Klee – Späte Zeichnungen: display of drawings produced by the Swiss artist in the years 1939 and 1940, including the cycle of 16 works entitled "Der Infemer Park"; to Jun 8

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Die Zauberflöte: by Mozart. Conducted by Gustav Kuhn. Soloists include René Pape, Lothar Odinius and Raimo Laukka; Jun 6

BRUSSELS

OPERA
Théâtre Royal de la Monnaie Tel: 32-2-2291200
● Ariadne auf Naxos: by R. Strauss. Conducted by Antonio Pappano. Soloists include Susan Chilcott, Charlotte Margiono, Richard Margison and Elzbieta Szmytka; Jun 8

CANBERRA

EXHIBITION
National Gallery of Australia Tel: 61-6-240-6411
● The Europeans: Emigré Artists in Australia 1930-1960: display of more than 200 works by artists who emigrated to Australia; to Jun 9

COLOGNE

CONCERT
Kölner Philharmonische
● Chicago Symphony Orchestra: with conductor Daniel Barenboim, tenor Placido Domingo and violinist Maxim Vengerov in works by de Falla, Höller, Sibelius and Lutoslawski; Jun 8

DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Antoinette Baker: the organist performs works by Guilmant, Sweeney and Mullet; Jun 6

EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Cassiano dal Pozzo's Paper Museum: exhibition of images assembled in Rome by the collector and connoisseur Cassiano dal Pozzo (1588-1657), proto-Victorian Renaissance man with a passion for classification; to Jun 8

FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Frankfurter Museumorchester: with conductor Vladimir Fedosseyev and pianist Elisabeth Leonskaja in works by Beethoven and Schostakovich; Jun 8

GENEVA

EXHIBITION
Musée d'Art et d'Histoire Tel: 41-22-3114340
● Morceaux choisis, Céramique de Grande Grèce: display of ceramics from Greece, featuring 150 fragments of vases dating from the 5th century BC up to the 3rd century AD; to Jul 20

LISBON

EXHIBITION
Centro Cultural de Belém Tel: 351-1-3612400
● Donald Judd: display of work by the American minimalist artist, including the first public exhibit of his Art and Architecture series, dating from the 1960s to the early 1990s; to Aug 18

LIVERPOOL

EXHIBITION
Walker Art Gallery Tel: 44-151-2070001
● Sir Lawrence Alma-Tadema: exhibition of work by the painter who was born in the Netherlands, but settled in London in 1870, quickly gaining popularity for his idealised scenes of ancient Greece and Rome. The exhibition features some 70 paintings, a selection of watercolours and a display of photographs; to Jun 8

LONDON

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● August Sander: major retrospective exhibition of the work of the German photographer; until Sunday
Tate Gallery Tel: 44-171-8878000
● Hogarth the Painter: display celebrating the birth in 1697 of William Hogarth, highlighting his achievements as the leading painter of his age. The Tate's collection of work by the artist is shown in its entirety, alongside loaned works from public and private collections; to Jun 8

MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Claudio Arimany: performance by the flautist, accompanied by the pianist Jordi Maso. The programme includes works by Kuhlau, Beethoven, Böhm and Czerny; Jun 7

EXHIBITION
Museo Nacional del Prado Tel: 34-1-3302800
● Catalan Medieval Painting: display of 15 sculptures and 34 paintings selected from a number of collections, including those of the Museu Nacional d'Art de Catalunya in Barcelona and the Musée du Louvre, Paris. The exhibition features Gothic works from the 14th and 15th centuries, including pieces by Bartolomé Rubio and Maestro Rubio; to Jun 8

NEW YORK

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● The 1997 Biennial Exhibition: the 1997 Biennial is 69th in the series of Biennial exhibitions, established by the museum's founder Gertrude Vanderbilt Whitney in 1932. The Biennial is the Whitney's signature exhibition and focuses on the most important developments in recent American art; to Jun 22

PARIS

EXHIBITION
Bibliotheque Nationale Tel: 33-1-47038340
● Costumes en trois actes: exhibition featuring 60 pieces of theatre, ballet, circus and opera costumes, including the négligé worn by Marlene Dietrich in *Kismet*; to Jul 26
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Les Annees 30 en Europe: exhibition examining the art of the 1930s and its reaction to international events and the looming shadow of war. Artists with work on display include Picasso, Miró, Dali and Kandinsky; to Jun 8

OPERA
L'Opéra de Paris Bastille Tel: 33-1-44 73 13 99
● Madama Butterfly: by Puccini. Conducted by Silvia Varviso; Jun 9

ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester and Murray Perahia: conducted by Mariss Jansons in works by Beethoven and Strauss; Jun 4-6

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COMMENT & ANALYSIS

Economic Viewpoint • Samuel Brittan

Cheat in moderation

Should social objectives be written into the rules of the business game, or should companies try to pursue them directly in addition to profit?

Towards the end of the nineteenth century, an Oxford tradesman observed how his competitors were cheating and swindling at every opportunity. He agonised about how he could avoid doing the same without going out of business. Eventually, the tradesman screwed up his courage and took his problem to the formidable Benjamin Jowett, master of Balliol. Jowett paused only for a moment before replying: "Cheat as little as you can."

Not all ethical problems which arise in business can be dealt with so summarily. A recent attempt to come to grips with these questions can be found in a book written by M R Griffiths, an international management consultant, and J R Lucas, an Oxford philosopher (*Ethical Economics*, Macmillan).

The main argument of the book is given in the first chapter. A distinction is drawn between various kinds of association according to the degree to which its members have shared values and interests. A high degree of shared values characterises the family – at least in its ideal form. To a lesser extent it characterises even political associations such as the state. Such shared values are at their least in business, where sellers and buyers or employers and employees can have highly disparate values, but still have a common interest in co-operation. Hence the need to rely on arm's-length relationships, such as contracts and on the mutual desire for gain.

The contention that even very competitive business relations are a form of co-operation would not of course have been news to Adam Smith who wrote: "In civilised society man stands at all times in need of the *co-operation and assistance* of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons." It is because of this very widespread dependence that we need to "address ourselves not to the humanity but to the self love of others".

No place is seen by Griffiths and Lucas for state laws to determine just prices or minimum wages. But justice is regarded as something objective rather than subjective. The businessman is, in their view, often called on to balance conflicting interests, as a tribunal chairman so often was in post-war Britain.

The authors rightly see that businessmen have some freedom of action even while pursuing profit. Most companies have little bits of monopoly profit which they have some discretion how to allocate; and it is quite reasonable that some of this should go to good causes or employee welfare.

They do not discuss, however, the role of takeover threats in compensating for imperfections in the product market and thereby limiting the scope for such discretion. Would we be better off with a less competitive economy in which employers had more scope to exercise a quasi-governmental role? Or would it be better to have a more competitive one in which citizens themselves decided which good causes to support?

The authors know it is impossible to lay down rigid rules of business behaviour. But my worry is that other authors, using the same intellectual apparatus, could come to much more *dirigiste* conclusions. If their book had appeared in, say 1974, it would not have provided a warning against Old Labour's attempt to interfere in every aspect of economic life.

Ethical Economics is written in Victorian didactic style. This has its advantages in the shape of clear summaries and definitions, but the disadvantage of not quite coming to life. If the reader's attention is to be gripped, the controversies in both ethics and economies need to be highlighted.

Such highlighting can be seen in the 1997 Napier Enterprise Lecture by Mr Adair Turner, director of the Confederation of British Industry. He contrasts what he calls Redistributive Market Liberalism (RML) with the stakeholder-communitarian approach to such matters. He divides his discussion into two sections. The first is on how a society should assert its social objectives. The second on what form of market economy is most likely to achieve economic success.

On the first question he is unequivocally on the side of RML. This model leaves plenty of scope for political activity. But that activity takes the form of adjusting the rules of the market, providing for the collective finance of some services, and income redistribution via taxes and benefits. Within these constraints shareholder wealth maximisation can apply.

Mr Turner cites evidence of RML working – for instance the effects of the recent landfill tax. Even more important, he doubts whether managers have the knowledge to take into account the second- and third-order effects of their actions on national wellbeing. It is the role of markets to make use of dispersed knowledge not available either to boards of directors or governments.

This knowledge problem is often overlooked by so-called ethical economists. Moreover, while a simple profit maximisation model provides subsidiary performance indicators for decentralised managers within a corporation, this does not apply to the much vaguer stakeholder objectives.

Mr Turner is more nuanced on the second question: whether a company that tries to maximise its long-term self-interest should identify that interest with shareholders or with a wider group. The book by Griffiths and Lucas endorses the profit motive, but argues that a businessman should also be concerned with customers, employees, suppliers and the wider community – and not merely as a means to *long-term profitability*.

Mr Turner points out that there are not merely the German and Anglo Saxon forms of capitalism but very many more. Nevertheless, in the vast majority, the legal duty of a company is quite clearly and solely to shareholders. In some countries an *important* percentage of the economy is held by private companies whose shares are not traded in financial markets. Here ownership and control are combined as in the German Mittelstand or medium-sized Italian companies.

He clearly has a soft spot for companies where the whole problem of the relationship between owners and managers is bypassed because the managers are effectively the owners. In the UK, he cites JCB, Europe's biggest maker of construction equipment, which has flourished as a private unquoted company. Another example is Unipart, the car parts manufacturer, whose capital structure is dominated by manager and employee shares and a few large shareholders, thus giving it some freedom from the immediate pressures of the capital market.

Mr Turner also wonders how it is that moderate advocates of the stakeholder approach, such as Mr John Kay, director of Oxford University's School of Management Studies, and advocates of RML can agree on specific instances. The difference is surely this. A stakeholder or communitarian would like social and ethical objectives pursued directly by corporations in addition to the search for profit. Market liberals prefer to provide for these objectives in the background conditions and rules within which profit is pursued.

In many cases reasonable members of both schools might agree. But the market liberal will worry that the stakeholder arrogates to business leaders the role of *shaping society for which* they are ill-suited; and that they would serve us and themselves better if they stuck to limited aims.

BOOK REVIEW • Edward Whitehouse

THE GREAT WAVE: Price Revolutions and the Rhythm of History
By David Hackett Fischer
Oxford University Press, 552pp, £25

Knocked over by inflationary waves

Inflation has been around since money was invented, but it is not a constant fact of life. Based on meticulously assembled price records from ancient Mesopotamia to the modern day, this book argues that inflation occurs in historical waves or "price revolutions". These periods tend to end in crises, which in turn are followed by equilibrium. Professor David Hackett Fischer quotes Mark Twain: "History doesn't repeat itself – but it rhymes."

Prices have tended to rise throughout the present millennium but most of the increases occurred in four bursts during the thirteenth, sixteenth, eighteenth, and twentieth centuries. These inflationary periods had many common features. Wages often fell behind rising prices, so living standards of the majority fell. Interest rates and rents, in contrast, tended to keep up with inflation, maintaining and often increasing the real return on capital and land.

Inflation creates winners and losers. In the past, the winners tended to be (richer) owners of capital and the losers, (poorer) labourers. For example, the proportion of wealth owned by the richest 10 per cent in a Turkish town grew from a third to a half during a long inflationary wave. A change of the same magnitude occurred in Massachusetts between 1770 and 1826.

None of the great inflationary waves saw all prices rise at the same rate. In the earlier waves, manufacturing prices rose more slowly than *food and fuel, reflecting the* relative ease with which industrial production could be increased compared with the limits on natural resources.

The main difference between earlier inflationary periods and the modern era is in the scale of price rises: 0.5 per cent a year in the first wave, 1 per cent in the second and 2 per cent in the third. These would barely be perceptible to the modern population. Indeed, during early inflationary waves it was only after many years that people could recognise increases in prices as being caused by anything other than natural volatility resulting from the size of the harvest.

How people cope with inflation is a key theme of the book. Crime, illegitimacy, alcohol and drug use are more common than in stable periods. But the short answer is that eventually people give up. Inflationary periods end with a big bang: epidemics, famine and war in the fourteenth century, the English civil war in the seventeenth and the French and American revolutions in the eighteenth. But stability eventually re-emerges from the chaos.

Prices are the only economic data available for such a long time-span. But Prof Fischer at times makes a virtue of this necessity, coming close to blaming everything, from revolutions to the Renaissance, from epidemics to the Enlightenment, on trends in prices.

It is easy to agree that prices are both the cost of commodities in the market and an indicator of the changing value of money. But Prof Fischer would like to read much more from them about systems of production and even "broad historical movements".

The famous comment by *Mr Alan Blinder, a former* Fed vice-chairman, that "inflation is always and everywhere primarily a monetary phenomenon" is, from the historical perspective of this book, a simple tautology, not an explanation of rising prices. The sixteenth century inflationary wave has been blamed on an expansion of money supply following Spanish import of Latin American gold. This view is monetarist orthodoxy. Along with spaceships dropping dollar bills on the street, it is a ready pedagogic device for the quantity theory of money.

But according to Prof Fischer, this view is wrong. The price revolutions of the thirteenth, sixteenth and eighteenth centuries were a result of rapidly growing demand, not an increase in the money supply. For example, the price rises in the sixteenth century began before significant quantities of gold were imported. In the medieval inflation, there was a shortage of money in circulation. Instead of cash, people used portable items of value, such as books, known as "mobilia". Mints debased the coinage, by adding more base metal to dwindling stocks of silver and gold.

Prof Fischer's preferred explanation for pre-twentieth century inflation is mismatches between supply and demand. Populations grew because people had more children, not because of longer life expectancy. Since the area of agricultural land was fixed and there was no green revolution to increase productivity, demand outstripped supply. Excess demand led to inflation.

The conclusion is optimistic. Prof Fischer argues that the fourth great inflationary wave is drawing to a close. So we can look forward to a new period of stability: a new Renaissance.

The Great Wave *is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

·LETTERS TO THE EDITOR·

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Systems warranties and Emu are touched by millennium madness

From Mr John Mawhood.

Sir, It seems we are seeing the first signs of millennium madness. Realism and a willingness to work in detail are in short supply, as highlighted by warranties of the kind we hear demanded (Letters, May 31 and ("Insurer sends suppliers a 'systems bomb' ultimatum", May 28).

Suppliers of computer systems quite rightly should refuse to sign up to such convoluted statements, especially as many "millennium compliant" systems will not be able to work beyond 2038. One simply cannot expect a system to be capable of representing any date imaginable. Common sense tells us that a system dealing with retail stock will not have to represent the same date ranges as a system holding life insurance policy information.

Suppliers and purchasers of systems have to get down to detail. Two systems may be warranted to work through and beyond 2000, but that does not guarantee they will be able to make sense of each other's date-related data. Suppliers must ensure warranties limit their responsibility to the date ranges their systems will cope with and what formats for date data are supported, or they risk being held liable under an implied warranty of fitness for purpose.

More than enough nonsense is being spread about the millennium, without writing it into computer contracts.

John Mawhood,
(author, "Legal Guidelines on Millennium date change issues")
partner,
Tarlo Lyons, solicitors,
33 St. John's Lane,
London EC1M 4DB, UK

From Mr Chris Jenkins.

Sir, Your editorial "Emu's house of cards" (May 30/ June 1) pointed out that despite the increasingly shaky economic grounding for monetary union the political imperatives will probably override mere technical considerations. Elsewhere in that issue Alan Cane made the point, uncontentious within the computer industry, that the millennium problem will undoubtedly cause economic instability to some degree (Weekend money: "Countdown to calamity?").

Most of your readers will have personal experience of business plans laid low, and expectations unmet, as a result of the inability of information technologists to support the grand and ultimately impractical vision of business leaders. It is generally acknowledged that computer systems throughout the European Union will be imperfectly prepared for either the great date change, or for the impact of Emu. For every one company which has prepared well, there will be one or more which has not.

Has anyone performed a serious risk analysis of the likely impact of millennium computer systems failure on monetary union? And has it not occurred to any politician yet that the sensible strategist would avoid taking a risk which is wholly within his control until he has dealt with the one that is not? Emu is postponable. Why not postpone it until after the millennium damage has been assessed and cleaned up?

Chris Jenkins,
94 Elgin Mansions,
Elgin Avenue,
London W9 1JN, UK

UK 'island' argument a nonsense

From Mr David Sweet.

Sir, Mr Michell (Letters, June 3) is right: a unilateral insistence by the UK on maintaining border controls within the EU can only inconvenience its citizens while damaging the image of the country.

Evidence of this, and the response by other countries, is already available to anyone who travels by Eurostar to Brussels. On leaving the train the queue to pass the passport police can last 20 minutes or more, while across the tracks the passengers from France or the Netherlands arriving on Thalys trains can leave the platform at their own speed.

I have never understood the "island" argument, since nowadays so many frontier crossings are by air, when the presence or absence of a stretch of water makes no difference whatsoever. Presumably the new government believes it has better reasons to continue this policy than the need to appear Eurosceptic. We have not yet heard them.

David Sweet,
Krasinemlaan 25,
B-1950 Belgium

Starved of an excuse to provide food aid

From Mr Stefan König.

Sir, Re your article "Crisis proportions" (June 2), 100,000 people have died in North Korea of famine and related diseases. It is horribly cynical to link international food aid to peace talks and improvements of human rights, as the first human right is the right to live.

The argument that North Korea would first feed its soldiers is a legitimate critique, but a bad excuse to let a population starve to death.

Stefan König,
Voltastr. 1,
90766 Fürth,
Germany

Kazakhstan progress must not be overlooked

From Mr R.H. Matzke.

Sir, In an article, "Kazakhstan creaks under debt burden" (April 15), the Financial Times sought to educate its readers on some aspects of the economy in the Republic of Kazakhstan. Chevron is supportive of your newspaper's interest and encourages these kinds of articles so that other western companies can learn, as Chevron has, about the bright economic future in this region of the world.

However, some characterisations in the article on recent Kazakhstan government fuel purchases for the spring planting need clarification. Your article stated that "Oil companies Chevron and Mobil have been ordered to supply fuel ...". This is inaccurate. Chevron and Mobil are partners along with the Kazakhstan government and Lukoil in the Tengizchevroil (TCO) joint venture. TCO was *asked* by the government to *sell* fuel to different farming regions in Kazakhstan.

The article also stated "... Kazak government has apparently reverted to its old, centrally planned self". I strongly disagree.

Chevron Corporation has identified Kazakhstan as a positive place to do business. We all recognise that new countries in central Asia have a tremendous challenge to move state-owned economies into privatised, free market models. We can write about the problems and the hardships of that transition.

However, let us not overlook the outstanding progress that Kazakhstan has made in that transition process.

R.H. Matzke,
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FINANCIAL TIMES
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Thursday June 5 1997

Better in than out

The inclusion of Communists in the new French cabinet is not such bad news as it sounds. Mr Lionel Jospin had either to bring them in or to negotiate terms on which they would support him from outside – a formula which has not proved too comfortable for his Italian counterpart, Mr Romano Prodi.

Mr Jospin does not appear to have given any new policy commitments to get the Communists in. Nor will their voices in cabinet be a determining influence on general policy. But their party, having joined the government, is condemned to try and make a success of it. It will have to phrase any criticisms in a constructive, more-*in-sorrow-than-in-anger* style.

Of course, with a Communist transport minister Mr Jospin is unlikely to privatise the French railways (SNCF). But the fact is that his own party was never going to do this anyway. On the other hand the minister, Mr Jean-Claude Gayssot, will have a strong interest in proving that the SNCF can provide an efficient and competitive service within the public sector. If he concludes (as he well might) that this requires lay-offs and new working practices, he is uniquely qualified, as a former railwayman and official of the Communist-controlled CGT trade union, to push them through without major strikes.

In fact the Communist party in France has always had a dual role. In opposition, it acts as spokesman for the victims of economic change. In government it imposes discipline on the labour movement and delivers working-class acceptance of unpleasant economic realities. "One must know how to end a strike," declared its leader Maurice Thorez in 1936.

There may be a broader point here. Rightwing French governments which attempt economic reform provoke fierce and widespread popular resistance, as Mr Alain Juppé could testify. Leftwing governments, by contrast, can sometimes win grudging acceptance for necessary reforms. It was under François Mitterrand that France kicked its inflation habit and adapted to the European single market.

Mr Jospin and his team arrive in power burdened with much leftwing rhetoric but sensibly few hard-edged commitments. Their rashest campaign promise, to create 700,000 new jobs, cannot be honoured directly by the state. But it could be surpassed by private employers if the state made job creation less risky and less costly.

Such policies are known in France as "ultra-liberal" and, when attempted by a rightwing government, are liable to provoke a general strike. But a Socialist government, with the Communists on board, might just get away with them.

Mexico's plan

The Mexican government's three-year economic plan, announced this week, is said to be aimed at avoiding the economic crises that befall the country around the end of every six-year presidential term. Would it were that easy.

After a disastrous start to his term of office, President Ernesto Zedillo and Mr Guillermo Ortiz, the finance minister, indeed appear to have the economy ticking over nicely in time for next month's important congressional and gubernatorial elections.

Although many Mexicans have yet to recover from the deep recession of 1995, when the economy shrank by more than 6 per cent, growth exceeded 5 per cent last year and will do better in 1997.

According to the new forecasts, growth should rise to 5.6 per cent in 2000 as inflation falls from 34 per cent last year to 7.5 per cent. Growth would be driven by exports and investment, while consumption recovers only gradually. Meanwhile, the current account deficit – which expanded to 8 per cent of gross domestic product and helped trigger the disastrous 1994 devaluation – should hit a maximum of 3.2 per cent of GDP by 2000.

In a country where economic policy has been short term in orientation, the government is right to try to put policy into a medium-term context. Its emphasis on the development of private savings in order to reduce dependence on foreign capital cannot be faulted either.

However, publication of a programme does not guarantee stability. Given Mexicans' propensity to import, a significant rise in consumer spending would bring renewed concerns about the current account deficit. Banks will have to be watched closely to avoid another disastrous consumer lending boom, such as that which preceded the 1994-95 crisis.

There are also questions about whether internal savings can grow as rapidly as the government says. A shortfall in savings would call into question the government's investment and current account forecasts.

Raising savings in the short term will depend on companies, since individuals are rebuilding their financial positions and the new private pensions programme will take time to have an effect. Tax changes may be needed to encourage this.

Moreover, the structures of Mexico's labour, housing and health markets discourage saving. On these issues and other areas of the microeconomy where reform is needed, the government has been moving too slowly to be certain that Mexico's balance of payments crises are indeed a thing of the past.

Trade task

By putting the competitiveness of Britain's industry at the top of her agenda, Mrs Margaret Beckett has got off to a good start at the UK's Department of Trade and Industry.

The word itself has a mixed pedigree: it can be used to justify state interventionism or the pursuit of national champions. But the way Mrs Beckett interpreted it in her first policy speech yesterday – an emphasis on economic stability, flexible labour markets and government-business partnerships – gives no cause for alarm.

It may be objected that the working parties which Mrs Beckett is launching, together with a competitiveness summit next month, amount to little more than glorified talking shops. But talking about competitiveness is much better than not talking about it. Economic efficiency needs a champion in Whitehall – and the DTI is best-placed to fulfil that role.

Many business people rightly remain suspicious about the planned minimum wage. If set too high, it could raise costs and reduce competitiveness. But Labour has gone some way to reassuring employers by giving policy responsibility to the industry-minded DTI instead of the education and employment department. Companies should draw comfort from Mrs Beckett's pledge that the minimum wage and the UK's commitments under the EU social chapter will be judged by their impact on competitiveness.

In competition policy, Mrs Beckett promised to press ahead with reforms most of industry has long demanded – a simplification of procedures and the introduction of clear EU-style definitions of acceptable and unacceptable behaviour. The idea of forcing companies planning mergers to prove that their actions benefit the public interest has been dropped.

Mrs Beckett failed to address a number of important issues, however. For example, the spread of grants to entice inward investment, which is reaching worrying proportions. It would be ironic if the long drive to cut subsidies to domestic industry were compromised by handouts to overseas companies.

More broadly, Mrs Beckett does not act alone. At home, her good intentions could be undermined by the actions of other departments. For example, business is justifiably hostile to the promised windfall tax. The very idea of a retrospective tax sticks in the throat.

In Europe, the task is if anything more demanding: to defend liberal trade, flexible labour markets and unsubsidised competition. The recent rows over anti-dumping duties on imported textiles and the proposed exclusion from competition rules of important sectors of European industry demonstrate the challenge. Mrs Beckett now has to meet it.

Trappings of democracy

Algeria's army-backed government hopes elections will legitimise its rule and isolate hardline Islamists but they could also give the opposition an opportunity, says Roula Khalaf

The streets of Algiers have been decorated with fairy lights for today's legislative elections. The signs of celebration sit awkwardly with the scarred bomb sites that have resulted from a spate of explosions around the Algerian capital during the last days of the campaign. But the twinkling decorations reflect the victorious mood of the army-backed government.

Today's elections are the most important step in the government's strategy of burying the failed democratic experiment of 1991. Shortly after the December legislative elections of that year the army annulled the expected victory of the Islamic Salvation Front, which it had feared would establish an Islamic state.

Algeria's governing *Pouvoir* – now made up of the presidency and powerful army generals – abandoned half-hearted attempts to negotiate with the FIS. Since 1992 it has relentlessly repressed Islamists who took up arms against it and has sought to demonise the FIS. The cost has been an estimated 60,000 lives, many of them civilians.

The poll will not provide a solution to the years of violence that have followed the 1991 army intervention, many observers argue. But, if fairly elected, Algeria's first feeble parliament could be a timid step towards a more open and accountable political system.

Many wonder whether the *Pouvoir*, which is riven by factional rivalries, really has an interest in fair elections or in using them as the basis for a more representative system.

"The *Pouvoir* is divorced from the people," says Mr Said Saadi, leader of the anti-Islamist Rally for Culture and Democracy. "It always aims for permanent hegemony. But we are living in very unstable times and rigging this election will simply aggravate the divorce."

The election will be closely watched in western capitals, especially in Europe which has been accused of turning a blind eye to Algeria's human rights abuses. The main concern for Europe, France in particular, has been that an Islamist takeover might lead to a flood of refugees seeking sanctuary in the west.

Algeria is also a main gas supplier to Europe, and has one of the last remaining under-exploited oil and gas resources in the region. In spite of the violence, foreign companies in recent years have stepped up investments in the remote but heavily guarded hydrocarbons-rich southern desert. British Petroleum is developing new gas fields as part of a \$3.5bn (£2.1bn) contract signed last year.

About 100 United Nations observers are monitoring the elections. If the poll is deemed reasonably fair, it will help the Algerian government in its bid to sign a partnership agreement with the European Union, negotiations for which are under way. Diplomats say western governments would probably do more business with Algeria if the country could improve its image.

The poll is the culmination of several years during which the *Pouvoir* has sought to consolidate and legitimise its power. It has instituted a system which allows a return to the ballot box, without the FIS and under strict rules that do not threaten the regime's survival.

Poster power: 39 parties are participating in today's poll, but the Islamic FIS party is banned AP

Mr Liamine Zeroual, the former army general, was elected president in 1995. Amendments to the constitution last year reduced the power of the lower chamber – by introducing a counterbalancing, partly unelected Senate – and stipulated that Islamist parties could not exploit religion to further their appeal.

About 16.8m voters will today choose lists of candidates from 39 parties, although only those that win more than 5 per cent of the vote will gain seats in the 380-member chamber. A newly created "presidential" party, the National Democratic Rally, is expected to emerge as a dominant force. The administration has put its full weight behind the party's campaign, drawing numerous accusations of pre-election rigging.

But the presidential party is closely competing with the Movement for a Peaceful Society, the party formerly known as Hamas and one of two moderate Islamist parties contesting the elections. This is the only party with a strong link to society on a national level, thanks to an affiliated charitable organisation. The Movement is dismissed by the FIS – which is barred from the elections – as a government stooge. But it shares the same basic ideology as its outlawed counterpart and has caught the interest of many Algerians, including former FIS voters. The secular opposition is represented by several parties, the largest two being the Berber-based Socialist Forces Front and the Rally for Culture and Democracy.

The strategy of the *Pouvoir* has succeeded in pushing back the threat of an Islamist takeover. But it has failed to provide either security – as this week's bomb blasts demonstrated – or economic prosperity.

Violence against the regime has receded, but attacks on civilians continue. Most of this is blamed on the armed Islamic groups known as GIA, which splintered off from the FIS before shattering into several shadowy organisations. Civilian self-defence militias armed by the government have also become widespread. They are accused by human rights organisations of drawing the population deeper into the conflict and exacerbating the state of lawlessness.

The FIS has its own military wing. Less visible than a few years ago, it is believed to target security forces rather than civilians. The FIS accuses the government of manipulating the armed groups to justify its own military clampdown.

Economically, the government feels more secure than in recent years. Thanks to high oil prices, which make up more than 95 per cent of foreign exchange revenues, it has accumulated more than \$5.5bn in foreign exchange reserves after being on the brink of default in 1993. The government has ruled out the need for another debt rescheduling in 1998, but it will need to begin servicing its \$32bn debt next year.

The social picture is more bleak. Reforms begun in 1994 to revamp the socialist-style economy will lead to as many as 300,000 job losses over the next few years. Unemployment is already above 28 per cent, and social tensions are compounded by a severe housing crisis and a deterioration in purchasing power. Successful reform of the state sector depends on mobilising private investment, but this requires a return to stability.

"In the short term, the government has evaded the threat of power being taken over by force," says a senior western diplomat in Algiers. "But in the long term, without a real political and economic opening, what you have is massive unemployment, hopeless youth, a non-performing economy, political bitterness and a climate of violence. Put these things together and it will eventually lead to explosion."

The Algerian government argues that today's elections, by replacing the cancelled 1991 poll, will remove the justification for violence. "The objective for us is that decision-making should not be limited to a single group of people," says Mr Abdelkader Bensalah, secretary-general of the pro-government National Democratic Rally. "Enlarging the base of the decision-making to all the legal parties will reduce the need for violence."

But given the parliament's limited powers and the fact that those who are fighting are either not represented or reject the notion of a democratic choice, several opposition parties are not convinced by the *Pouvoir's* argument.

"The government only thinks with the Kalashnikov," says Mr Ahmed Dene, a member of the executive bureau of the Islamist Movement for a Peaceful Society. "Democracy means dialogue and conviction. Violence will not end with the elections; it will end gradually and when the sources and reasons for it stop," he says. "One of the requirements is the return of the army to the barracks."

For the Socialist Forces Front, the secular party which has stood by the FIS and is expected to win some of the outlawed party's vote today, the parliament will give deputies an immunity to criticise and mobilise the population. "We will not be able to block anything, but we can make trouble," says Mr Ali Rachedi, one of the party's leaders. "The test will come if, for example, our deputies call a peaceful demonstration. Will they be thrown in jail or allowed to hold it? And will they refuse us access to television?"

Mr Rachedi hopes that Mr Zeroual will lift the state of emergency after the election and release political prisoners, including some FIS leaders. The government has pronounced the FIS dead. But on the streets of Algiers, resentment towards the authorities is such that the FIS is often fondly remembered as the only party that understood people's social concerns.

"If the government releases some FIS leaders, the FIS will call for a truce and a dynamic will be launched," says Mr Rachedi. "The FIS can play a role in pacifying some of the armed groups."

According to Mr Mouloud Hamrouche, the former prime minister, the responsibility for turning today's vote into a long-term opportunity rests with opposition parties. Traditionally weak and easily manipulated, they will now have to fight to wrest further concessions, he says. "The *Pouvoir* may not have seen all the implications of its policy. It cannot always manipulate public opinion. It will have to cede something," he argues.

Those seeking a more representative democracy have a choice. They can "remain a naive primitive opposition, emphasising only their own identity," says Mr Hamrouche. Or they can "infiltrate the system from within, question the issues and highlight them before public opinion".

Either way "the opposition will have a huge role to play", he says. "They could kill democracy or force it into existence."

· OBSERVER ·

Oskar fluffs his lines

■ With the centre left on the march in western Europe and Germany's centre-right government in disarray, mercurial Social Democratic party leader Oskar Lafontaine should really have done better when he had embattled finance minister Theo Waigel in his sights in yesterday's Bundestag debate. Many of Waigel's parliamentary colleagues aren't too pleased with him over his plans to revalue the Bundesbank's gold, and the latest polls show most Germans think he should quit.

It didn't help that the speaker of the house made Lafontaine, who is not a Bundestag member, preface his attack on Waigel with an apology. Lafontaine had used some unparliamentary language about Bundestag members in speeches to coal miners and building workers at recent demonstrations. His insults translate literally as "bottle" and "whistle", which in German apparently approximate to "dead loss" and "idiot". All too much for the Bundestag.

Lafontaine made matters worse by apologising only to those who backed the miners and builders – namely his own supporters – rekindling tribal loyalties on the government benches. There was pandemonium and many government MPs stormed out, while the rest *subjected the opposition leader* to vigorous heckling. Waigel must have a guardian angel.

Cat's whiskers

■ What's in a name? A great deal if you're Lily Yam, the head of Hong Kong's Independent Commission Against Corruption. The Basic Law, China's constitution for post-colonial Hong Kong, mentions a Commission Against Corruption – as the body is now known in Chinese – but "Tiger Lil", the tough head of the territory's graftbusters, wants the word Independent to stay.

Her robust stance and rumblings of concern from the business community encouraged Tung Chee-hwa, the territory's leader in waiting, to take a flexible stance. Yesterday he signalled that the name could stay, and underlined his commitment to the battle against graft. Purring could be heard from the ICAC headquarters.

Disguise the limit

■ Ehud Barak, the new leader of Israel's opposition Labour party, has a penchant for masquerade. When a Sabena jet was hijacked to Tel Aviv in 1972, Barak was one of the elite commandos disguised as maintenance men *who stormed the plane* and freed the hostages. Israel's hardline prime minister Benjamin Netanyahu also took part in that operation. The following year, Barak donned women's clothing and a wig for a daring raid into Beirut. As army chief of staff in 1991, he dressed up as an Arab labourer to get a close look at the Palestinian *intifada*, the uprising against Israel.

Piano-playing Barak – who admits to being moved to tears in the cinema and once aspired to be a painter – has vowed to oust his telegenic former comrade. Political pundits say the single-minded former soldier's strategy to capture the political centre is to mask peace policies with tough talk – in short, that he's in disguise as none other than Netanyahu.

Bronze age

■ Vladimir Ilyich Lenin is back, shoulder to shoulder with his Bulgarian acolyte Georgi Dimitrov and that philosophical beacon of socialism Friedrich Engels. He's the latest addition to a Hungarian park where, for less than \$1, people can wander amid statues of communist luminaries and other Stalinist-era memorabilia.

Most statues in the park are of long-dead Hungarians – Budapest wasn't much given to putting up statues of foreigners, however *distinguished*. But Lenin stood pointing the way to a socialist realist future outside the capital's Csepel Steel Works until one night in 1989. Fearing the worst in the statue-smashing upheavals after the Iron Curtain fell, steelworkers took the statue into protective custody in a cellar, then forgot about it.

Rediscovered and given a bit of a facelift, the 2.6 metre bronze crusader was yesterday yanked to his feet by a crane in the pantheon of working class strugglers on the south side of Budapest. Park boss Akos Rethly says he hopes the new arrival will boost trade. Running this socialist museum is a pure capitalist business.

Judicial leanings

■ France's scandal-ridden political parties all say the country's judicial system is politically biased and they want it to be independent. Now, days after the centre-left election victory, three right-wing politicians have been placed under investigation on illegal party financing charges. So did the left help accelerate the cases or did the right delay inquiries until after the polls? Or are the magistrates already independent? Inquiries continue.

The Financial Times

100 years ago

The Canadian Mail Service

The British public is always loth to deprecate any scheme having for its object the strengthening of the bonds that bind the Mother Country and her distant children. It is therefore very surprising that arrangements in connection with the Canadian mail service appear to be both inexplicable and unsatisfactory. The desire of the Dominion Government of securing a more speedy mail service could obviously be attained in one way only, by the granting of a substantial subsidy, and a grant of some £150,000 per annum was offered for a 20 knot service. The Orient Line thought the matter over, but concluded that the offer was not good enough. Eventually tenders were invited, no subsidy being mentioned, and that submitted by Messrs J. and A. Allen of Glasgow, stipulating for a grant of £225,000 per annum, was accepted.

50 years ago

Trade With Soviet Russia

Everybody in his senses would welcome an expansion of British trade with Soviet Russia, not only because we need her goods and her markets, but also because it is generally assumed that increased trade would make for friendlier political relations.

FINANCIAL TIMES
Thursday June 5 1997

China to pay $4.3bn for Kazakh oil stake

By Tony Walker in Beijing and Robert Corzine in London

China's national oil company is to invest $4.3bn over 20 years to secure a 60 per cent stake in Kazakhstan's state-owned Aktyubinsk oil company.

The deal, China's biggest investment abroad by far, is aimed at securing long-term supplies to balance China's growing shortfall, and reflects mounting concern over the country's rising fuel import bill.

China National Petroleum Corporation also plans to spend an additional $3.5bn on a 3,000km pipeline linking western Kazakhstan, site of Aktyubinsk's oilfields, with China's Xinjiang region.

Separately, China is also reported to have reached agreement with Iraq on the $1.2bn development of the Ahdad field once United Nations sanctions against the Baghdad government are lifted.

CNPC beat Texaco and Amoco of the US and Yuzhny Most of Russia to secure the deal with Kazakhstan's privatisation commission.

The Kazakh government is to receive a payment of $325m. Of the remaining $4bn to be spent on development, $585m will be invested between 1998 and 2003.

China produces about 3m barrels of oil a day, but imports 400,000 b/d, about 15 per cent of its needs. Unless substantial new deposits are found, imports are set to rise fivefold by 2010.

China's stake in the Kazakhstan oilfield is one of several recent investments abroad to secure production of 20m-30m tonnes by 2000. This roughly corresponds with the expected shortfall.

Chinese companies are exploring in Peru and the Sudan, and CNPC recently signed an $118m agreement to operate Venezuela's Intercampo field.

A western official in Beijing who monitors the oil sector described as "typical" China's attempt to secure long-term hydro-carbon supplies.

The move follows a familiar pattern. China has also invested in Australian iron ore fields to guarantee supplies.

Aktyubinsk has estimated reserves of 483m tonnes and produces 2.6m tonnes annually.

China has long looked to closer co-operation with neighbouring central Asian states in oil and gas production to help fuel its rapid growth.

China's economy has been expanding at about 10 per cent annually, but oil production, which reached 156m tonnes last year, has been relatively static and has required heavy investment in mature fields in the east of the country.

Efforts to find oil offshore and in China's far west have been disappointing. This has increased pressure on CNPC to secure alternative supplies.

The pipeline proposal was thought to have been an important factor in swaying the decision in China's favour. Kazakhstan, along with the other energy-rich former Soviet republics in Central Asia and around the Caspian Sea, wants to reduce its dependency on export routes through Russia.

UK calls for more labour flexibility in Europe

By Robert Peston and David Wighton in London and Lionel Barber in Brussels

The UK government yesterday launched a programme to increase labour market flexibility throughout the European Union and said it would block a proposed new employment chapter in the EU's treaty if it threatened jobs.

Mr Gordon Brown, finance minister, has written to all EU finance ministers setting out a three-point initiative called "Getting Europe to Work" for European job creation, which will be the UK's main priority when it takes up the EU presidency next year. The government has made the promotion of labour market flexibility throughout the EU a condition of any eventual decision for sterling to join Emu.

Meanwhile, Mr Tony Blair, prime minister, says today in the Swedish newspaper Dagens Nyheter that his support for an added employment chapter to the EU treaty is conditional. "The risk that the employment chapter might backfire, putting in jeopardy more jobs than it creates, is not one that I am prepared to take," he says.

Mr Brown is urging his EU colleagues that any new social or employment initiatives should only be adopted if they meet the tests of boosting productivity, creating job opportunities and promoting labour market flexibility. He will put flesh on these ideas at an Ecofin meeting of European finance ministers on Monday.

He proposed a taskforce for small business to "cut bureaucracy and reduce costs on cross-border trade, explain how to raise loan or equity finance in other EU states and provide training and information on the business opportunities of the single market".

He also proposed "concrete progress on completing the single market including removing remaining barriers to investment, opening up government procurement, making competition policy more streamlined and reducing bureaucracy".

Mr Brown's initiative was welcomed in Brussels yesterday as a timely and constructive contribution to tackling Europe's unemployment crisis.

One European Commission official said: "Ecofin meetings are too often beauty contests where countries vie to be the toughest on deficits. They don't talk enough about employment. Brown could change that."

Single market action plan, Page 3; Germany's troubles are gold for Blair, Page 9; Editorial Comment and Observer, Page 15

American Airlines

Continued from Page 1

"will likely need to have slots transferred to them" from BA and American. Mr Crandall said far more carriers would be able to use Heathrow if the US and UK negotiate an "open skies" agreement to replace the current arrangement under which American and United are the only two US carriers serving the UK hub.

The US government has linked its approval of the BA/AA alliance to the conclusion of an "open skies" accord. Both men later gave evidence to the senate subcommittee on aviation. Mr Crandall said the GAO report "supports our views in almost every respect". Asked if it implied some sacrifice of slots by the alliance, he replied: "It most explicitly says that is not necessary."

Waigel slated

Continued from Page 1

subjected to withering opposition scorn. Mr Joschka Fischer, leader of the Greens in parliament, told Mr Waigel he deserved "the gold medal for creative accounting" through his bid to use a revaluation of the Bundesbank gold reserves to bring Germany's public deficit this year below the 3 per cent of gross domestic product needed for Emu.

He said of Mr Kohl: "An elephant herd in a china shop would have done less damage than you."

Japanese brokers probed in wake of Nomura scandal

By William Dawkins in Tokyo

Japan's securities watchdog revealed yesterday that criminal investigators were inspecting three of the country's largest stockbroking firms following Nomura's allegedly illicit dealings with gangsters.

Officials of the Securities and Exchange Surveillance Commission stressed that they had found no illegal transactions at the three brokers – Daiwa, Nikko and Yamaichi Securities. "We just intended to find out the real nature of transactions," said an official.

The SESC's inquiries will intensify speculation about a further widening of the scandal surrounding pay-offs by Nomura to Kojin Building, a property dealer linked to a well-known gangster.

A similar investigation at Nomura seven years ago led to penalties at all four big brokers, plus a change in the law, in what has proved a fruitless attempt to stamp out payments to gangsters. It also ended with the resignation of the then finance minister, Mr Ryutaro Hashimoto, who is now prime minister.

The fresh inquiries demonstrate the government's eagerness to purge financial institutions of corruption as it pursues deregulation to lift Tokyo's capital markets to the size and sophistication of London or New York by 2001. Mr Hashimoto is said to be furious at the re-emergence of financial corruption.

Nomura admitted wrongdoing in March. As a result Mr Hideo Sakamaki, its former president, resigned along with 15 board members.

Two other executives, who were arrested last month, were yesterday charged with contravening securities laws by making a payment of $422,000 to a gangster after he threatened to disrupt a stockholders' meeting if he wasn't compensated for trading losses. A third was released without charge.

Mr Sakamaki himself was hauled in by police last Friday, and has been under interrogation since.

Investigators moved into Daiwa in March and went on to Nikko and Yamaichi the following month, said SESC officials.

The scandal has already embraced Dai-Ichi Kangyo Bank. Its two most senior executives resigned last week after admitting to questionable loans to Kojin Building.

Kojin's president and his brother are also under arrest on suspicion of contravening securities laws. They are believed to have given undertakings not to disrupt annual shareholders' meetings in return for the payments.

THE LEX COLUMN

Turbulent fighter

Should investors care whether the £40bn ($65bn) Eurofighter receives a speedy go-ahead, is delayed or is cancelled? Some think not. The seductive logic runs as follows. Assume Germany's difficulties in meeting the criteria for monetary union prevent it stumping up cash to take the Eurofighter into production. Never mind. The partners (Britain, Germany, Italy and Spain) will still need new fighters. True, these will be US designs; but they will still be made in Europe by the same suppliers involved in the Eurofighter, including British Aerospace and Daimler-Benz Aerospace. In fact, the US may be so delighted that rivals have been turned into satraps that they will shunt other business their way.

Such logic is valid as far as it goes. What it ignores is that the European groups' technological knowhow would gradually erode, damaging their long-run value. More immediately, they would lose the capacity to sell fighters into export markets. Delaying the Eurofighter would not be quite as damaging, because the companies' long-run strategic position would be preserved. But it would still damage exports, given that the window of opportunity for selling this product is small. Moreover, a lack of exports would savage the project's profitability because margins on defence exports are generally much higher than on sales to partner governments.

Fortunately, neither cancellation nor delay looks particularly likely. Yesterday's mood music from Bonn was encouraging. There are probably budgetary wheezes that could be used to circumvent the contraints of monetary union. But investors should not bank on the project's receiving swift approval. Nor should they kid themselves that its failure to do so would not matter.

FTSE Eurotrack 200:
2375.2 (+4.5)

McDonald's

McDonald's strategies go soggy more quickly than its hamburgers these days. The 55 cent burger – dropped after just six weeks – joins last year's aggressive store opening programme, the higher-margin Arch Deluxe sandwiches and the infamous "fat free" burger in the bin at the back of the kitchen. None of these approaches has galvanised like-for-like sales in the US; McDonald's has been flame-grilled by Burger King in the fiercely competitive American fast food market.

The Campaign 55 promotion was, in any case, largely marketing flummery since customers qualified for a cheap burger only if they bought fries and a soft drink at full prices. The real discount amounted to barely 5 per cent. That was not enough to boost revenues – underlying turnover in May appears to have fallen 5 per cent – but sufficient to damage margins and annoy franchisees who run 85 per cent of the group's 12,000 US restaurants.

Luckily, there is another McDonald's. The international operations, which account for 60 per cent of operating profits, are still expanding strongly. More than 100 countries are already blessed with a McDonald's. The management expects to open around 2,600 new units in 1997, three-quarters of them outside the US.

Even so, forecast earnings growth of just over 10 per cent this year and next sits uneasily with a 1997 price/earnings ratio of nearly 20 times. Until McDonald's solves its domestic problem, the shares will continue to look unappetising.

Emerging markets

Both the Thai baht and the Czech koruna have recently been under speculative attack. Is there a risk of contagion? After all, in early 1995 the slump in the Mexican peso led to scares in other emerging markets. For now, a repeat looks unlikely. There have been some jitters, but nothing like 1995. Back then the Mexican crisis was quickly followed by falling stock markets in Brazil and Argentina. Risk-averse investors fled into the safety of the D-Mark. Now investors are actively seeking out risk and yield – witness the spate of emerging market bond issues.

Still, the Thai and Czech experiences do hold some lessons. Both countries, like Mexico before them, exhibited high current account deficits, rigid exchange rate regimes and tardy policy responses. The key issue, though, is not so much deficits themselves as how they are composed and funded: borrowing money to fund investment is more sustainable than deficits that merely fuel consumption; and foreign direct investment is a better way of meeting the funding gap than short-term portfolio flows.

Thailand has resisted the devaluation which the Czech authorities eventually accepted, but their troubles are probably not yet over. Meanwhile, speculators will doubtless have run their slide-rules over countries like Slovakia and Ukraine that also have large deficits. For now they look safe. But if the investment backdrop shifts – Japanese rates rise or the single currency project collapses – they may be next in line.

UK interest rates

Should the Bank of England's grand new monetary policy committee, settling down today for its first meeting, start with a bang by raising interest rates? Clearly there is a case for doing so; the Bank's recent inflation report set it out. On the face of it, having called publicly for policy tightening, the Bank will look rather silly if it does not put it into effect.

There is, however, an obvious counter-argument: the Budget on July 2 may itself tighten policy. The Bank may want to wait until then rather than rushing into its own preventive strike. Moreover, Professor Willem Buiter, an MPC member, very publicly argued only weeks ago for careful co-ordination of monetary and fiscal decisions. So if the MPC did act now, it might well be at the price of having to record dissension in its very first minutes.

Of course, a purist could argue that action is still needed now to sustain the MPC's credibility; the Budget, after all, is hardly likely to administer so much medicine that *no* rate rise is needed. But in reality, a month or two's difference is hardly significant. The MPC should properly be judged on the scale of the rate rises when they come – which they will.

Additional Lex on NFC, Page 25

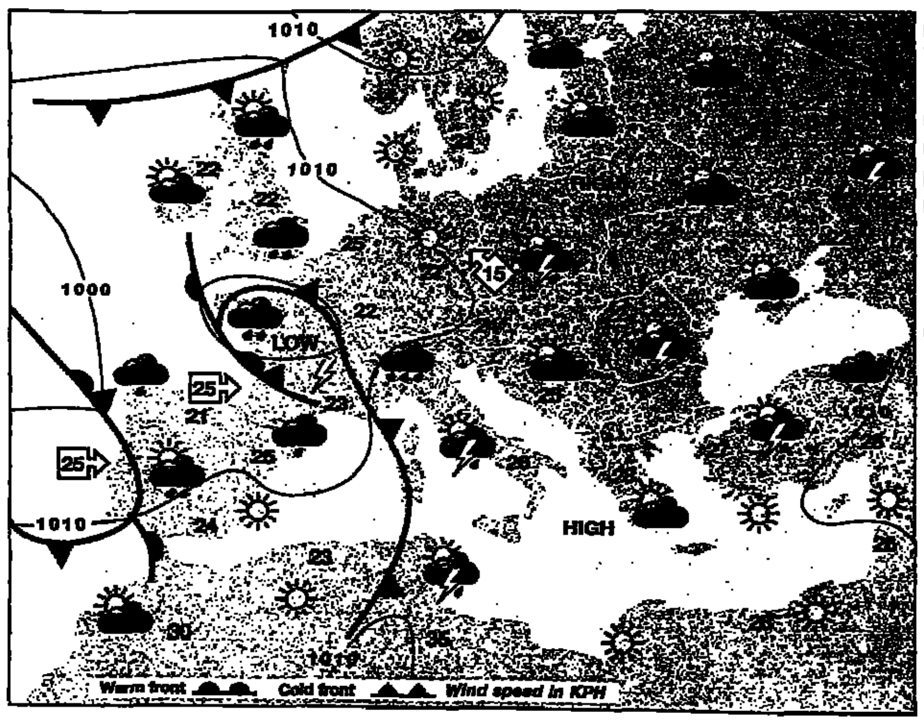
FT WEATHER GUIDE

Europe today

France will be cloudy with rain and thunder storms as a low pressure system moves across the country. Heavy rain is expected in the western Alps. Spain will have sunny periods, but a frontal system will move into Portugal, bringing rain. Cloud will spread across England, followed by rain. Sunny conditions will prevail in Germany and Scandinavia. Isolated thundery showers will develop over Poland, Romania and central Turkey. The Balkans will be cloudy with sunny periods. Sunshine will give way to afternoon thunder showers in Italy and Tunisia.

Five-day forecast

Western Europe will continue unsettled with rain or thundery showers. Central Europe will have thunder storms on Friday, but a dry weekend will follow. Thunder storms will develop over south-eastern Europe. High pressure will produce sunny conditions in northern Russia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 30	Caracas	thund 31	Faro	shower 23	Madrid	shower 22	Rangoon	fair 32
	Celsius	Belfast	fair 22	Cardiff	cloudy 22	Frankfurt	fair 27	Majorca	sun 23	Reykjavik	sun 10
Abu Dhabi	sun 40	Belgrade	fair 23	Casablanca	cloudy 25	Geneva	thund 21	Malta	cloudy 26	Rio	fair 28
Accra	cloudy 29	Berlin	sun 25	Chicago	fair 24	Gibraltar	shower 20	Manchester	fair 21	Rome	fair 28
Algiers	sun 25	Bermuda	shower 27	Cologne	shower 27	Glasgow	shower 20	Manila	fair 34	S. Frsco	fair 20
Amsterdam	fair 24	Bogota	fair 20	Dakar	sun 27	Hamburg	sun 25	Melbourne	fair 17	Seoul	shower 25
Athens	fair 28	Bombay	fair 33	Dallas	sun 30	Helsinki	fair 18	Mexico City	thund 30	Singapore	fair 32
Atlanta	shower 21	Brussels	shower 24	Delhi	fair 32	Hong Kong	shower 30	Miami	fair 32	Stockholm	sun 23
B. Aires	shower 17	Budapest	fair 23	Dubai	sun 39	Honolulu	fair 31	Milan	rain 21	Strasbourg	rain 23
B.ham	rain 22	C.hagen	sun 20	Dublin	fair 21	Istanbul	fair 22	Montreal	sun 23	Sydney	fair 22
Bangkok	fair 37	Cairo	sun 31	Dubrovnik	fair 25	Jakarta	fair 31	Moscow	shower 19	Tangier	shower 25
Barcelona	fair 22	Cape Town	sun 19	Edinburgh	fair 19	Jersey	rain 19	Munich	fair 25	Tel Aviv	sun 26
						Karachi	fair 35	Nairobi	fair 25	Tokyo	fair 24
						Kuwait	sun 41	Naples	fair 27	Toronto	shower 23
						L. Angeles	sun 23	Nassau	thund 31	Vancouver	fair 18
						Las Palmas	fair 28	New York	fair 22	Venice	fair 21
						Lima	cloudy 25	Nice	thund 22	Vienna	fair 25
						Lisbon	shower 20	Nicosia	thund 30	Warsaw	thund 21
						London	rain 23	Oslo	sun 22	Washington	sun 24
						Lux.bourg	shower 21	Paris	rain 21	Wellington	fair 13
						Lyon	thund 26	Perth	shower 19	Winnipeg	shower 20
						Madeira	fair 23	Prague	sun 25	Zurich	rain 22

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday June 5 1997 Week 23

IN BRIEF

Japan Airlines' debt downgraded

Prospects for a quick recovery by Japan Airlines, the world's sixth-largest carrier, have been thrown into doubt by Moody's, the credit rating agency, which has downgraded JAL's unsecured long-term debt rating from A2 to A, citing a poor cost structure. Page 18

McDonald's hamburger promotion fails
McDonald's, the US fast food chain, has been forced into an about-turn over its 55-cent hamburger promotion because of poor sales and growing signs of revolt among the franchisees who run most of its US restaurants. Page 21; Lex, Page 16

OTE joins Stet in Telecom Serbia deal
OTE, Greece's state-controlled telecommunications operator, is to participate with Italy's Stet in a DM1.57bn ($909m) deal to buy 49 per cent of state-owned Telecom Serbia. Page 20

Zeneca's fungicide gains US approval
Zeneca, the UK pharmaceuticals and agrochemicals group, has received its first US approval for the use on crops of its fungicide Abound, developed from fungicides in mushrooms. Page 25

Valmet buys Atlas Converting
Atlas Converting Equipment, the UK packaging equipment manufacturer founded in a shed 20 years ago, is to be acquired for £86.2m ($140m) by Valmet of Finland. Page 24

Signs of weakness in Malaysian market
Renong, Malaysia's top infrastructure company, has been unable to sell a M$460m ($183m) stake in an engineering affiliate. Coming on top of the undersubscription of a rights issue by Ekran, which is building the Bakun dam, Renong's difficulties are a further indication of waning confidence in the country's stock market. Page 19

Merger of Swedish exchanges collapses
A planned merger between the Stockholm stock exchange and OM, the Swedish derivatives exchange, collapsed after stock exchange shareholders blocked the deal. Page 22

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	528	+	18
Herlitz	182	+	5
Kali & Salz	189.7	+	7.2
Muench Rueck R	4562	+	87
Volkswagen	1175	+	29
Wella	1075	+	27
NEW YORK ($)			
Rises			
Grupo Casa Aut	18¼	+	1⅛
Iomega	21½	+	2¼
Knoll	22⅝	+	1⅛
Kyocera	155½	+	8¾
Pameco	16⅝	+	2⅝
Sherwood	16	+	1⅛
LONDON (Pence)			
Rises			
Atlas Convtng	607½	+	160
Shield Diag	497½	+	45
TLS	126	+	26
Falls			
Bick	247½	–	35
Frost Group	90	–	29½
Tunstall	149	–	23½
TORONTO (C$)			
Rises			
Intertasco	9.25	+	1.25
Ivaco B	5.75	+	0.75
Metrowerks	10.50	+	2.15
Skyjack	23.7	+	3.95
Westminster Res	10	+	1
Falls			
Trizec Mining	3.00	–	0.55

PARIS (FFr)			
Rises			
Legris	267.9	+	14.7
Rhone Poulenc	199.8	+	10.2
Sanofi	516.0	+	16.7
Sidel	448.0	+	16.1
Taittinger	2720	+	226
UFB Locabail	539	+	19
TOKYO (Yen)			
Rises			
Daiei	792	+	22
Ishihara Sangyo	353	+	23
Kokusai Elec	2130	+	150
NHK Spring	499	+	19
Orix Corp	7930	+	310
Yaskawa Elec	476	+	32
HONG KONG (HK$)			
Rises			
Cheung Kong	78.5	+	1.75
Citic Pacific	46.9	+	1.5
Guoco Grp	37.8	+	1.2
Sino Land	9.15	+	0.25
Swire Pac B	11.3	+	0.3
Falls			
Varitronix Intl	13.0	–	0.4
BANGKOK (Baht)			
Rises			
Hipro Elec	41.50	+	0.75
Thai Rayon	68.5	+	6.0
Falls			
Central Pat	54	–	6
Precious Ship	49.5	–	5.5
TPI Polene	27	–	3
Thaisawan	115	–	13

New York and Toronto prices at 12:30.

Russian gas group's management vulnerable after loan delay

Gazprom set to miss $1.2bn tax bill deadline

By Robert Corzine and Michael Lindemann in London and Chrystia Freeland in Moscow

Gazprom, Russia's biggest company, is set to miss the June 10 deadline to pay $1.2bn in back taxes in a development that could add to the political vulnerability of its embattled management.

A $1bn loan being syndicated in the west to meet the tax bill has been delayed, the company's bankers confirmed last night. ABN Amro and Goldman Sachs, the investment banks, which last week received the mandate to syndicate the loan after a fierce contest with Morgan Stanley and Dresdner Kleinwort Benson, said the delay was at Gazprom's request.

Goldman Sachs in London said Gazprom sought the delay because of a "conflict" between the company's collateral pledged for existing borrowings and assets guaranteeing the new $1bn loan.

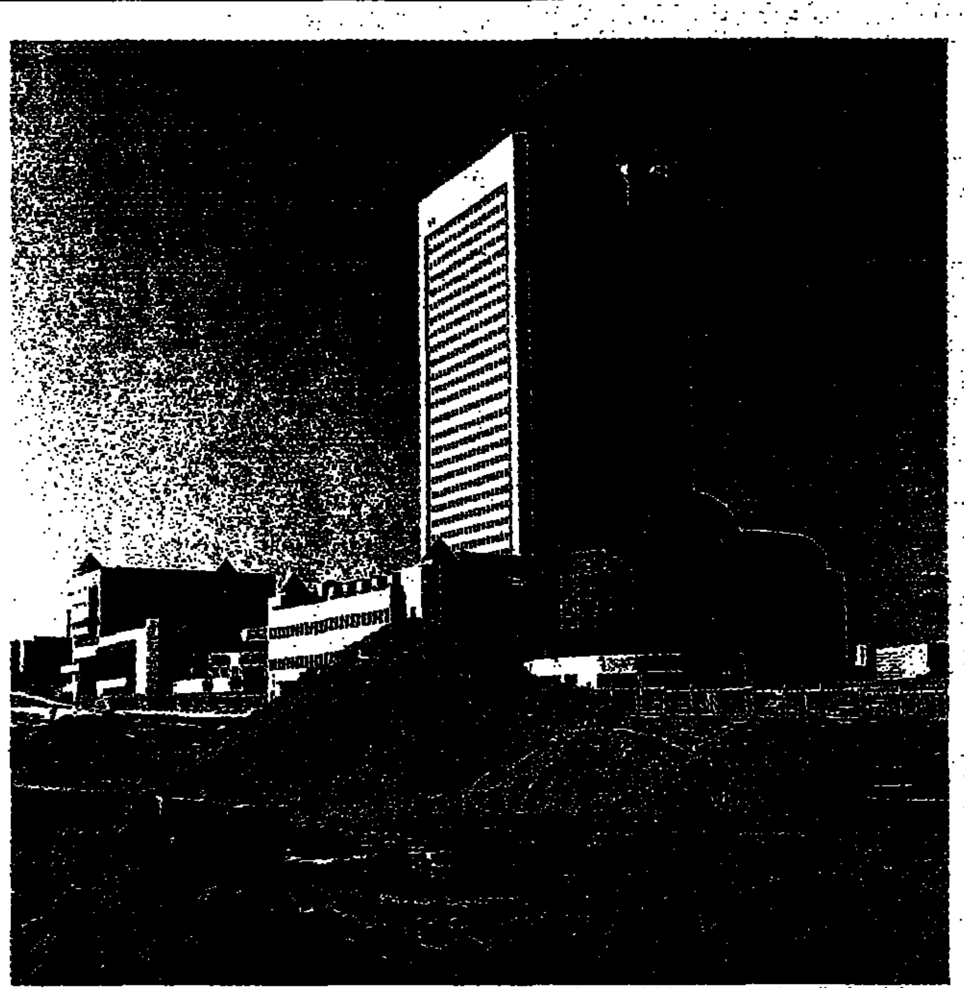
Goldman said: "We look forward to being back in the market very quickly." But ABN Amro last night confirmed no new date had been set for the syndication.

The delay is likely to weaken Gazprom's powerful, Soviet-era managers in their struggle with the government over who should control the company.

A new cabinet reform team has already forced out the head of Russia's electricity monopoly and shaken up the state railway management. To keep the reformers from taking over Gazprom, Mr Rem Vyakhirev, chairman, struck a series of compromises, including a promise to pay a $1.2bn tax bill by June 10.

Without the loan, Gazprom is unlikely to meet this deadline unless it dips into internal reserves, a step executives have been reluctant to take.

Several western bankers speculated that Gazprom's loan problems could be part of an elaborate official plot to unseat Mr Vyakhirev, Russia's most powerful corporate chief.



The Moscow buildings of Gazprom, Russia's biggest company, which may miss its deadline to pay off more than $1bn in back taxes after a syndicated loan was delayed Picture: James Hill

But that scenario seems unlikely because Mr Boris Nemtsov, the first deputy prime minister who has led the government clampdown on Gazprom, seems to have been unaware of the gas company's loan difficulties.

"I do not think Mr Nemtsov knows about this," Mr Andrei Pershin, the minister's press secretary said.

Another senior government official close to Mr Nemtsov also believed the cabinet was unaware of Gazprom's problems. Officials said failure to meet the tax deadline could weaken the company's hand in its attempt to minimise intervention in its affairs by reformers in the cabinet.

Additional reporting by Samer Iskandar.

Battle for Great Western set to be resolved

By Richard Waters in New York

California is set to have a third dominant financial institution after the end of a hostile bid battle for one of the largest savings and loan companies in the US.

The two-way tussle for control of Great Western, which has assets of $43bn, appeared headed for a resolution after Ahmanson, its Californian rival, abandoned a $6.5bn hostile offer for the company yesterday.

That opened the way for a takeover by Washington Mutual from neighbouring Washington state, which had come to Great Western's aide with a "white knight" bid.

The likely combination of Great Western with Washington Mutual will create a savings and loan group, or thrift, with assets of $87bn and a presence in California surpassed only by BankAmerica and Wells Fargo.

The rash of bank and thrift mergers in the West promises to leave the state with one of the country's most concentrated banking industries, with the three biggest institutions accounting for about half the total market.

The emergence of a new super-thrift could also prompt a broader restructuring in an industry which suffered a near-collapse during the 1980s. Many weaker institutions were wiped out by a rash move into commercial real estate development and other businesses far from their traditional base of domestic mortgage lending.

The survivors have moved more heavily into consumer banking and have pursued mergers and cost-cutting to make themselves more competitive with banks.

The merger would dwarf Ahmanson, although its $50bn of assets would still make it the country's second biggest. Ahmanson's thwarted bid was prompted in the first place by an attempt to cut costs and build a stronger base in its home market. It now becomes a potential acquisition target itself for banks looking to grow a retail banking business on the US West Coast.

Ahmanson said it would to continue to expand consumer banking while looking out for "opportunistic" mergers.

BT and MCI in bargain $10bn loan deal

By Edward Luce in London

British Telecommunications and MCI, the US telecoms company, yesterday secured a $10bn loan in one of the mostly tightly priced deals to hit the heavily squeezed syndicated loan market.

The loan, which will be used to bankroll the launch of Concert, a new global telecommunications company, will cost BT and MCI just 0.1 percentage points over Libor – the rate at which London banks lend to each other.

Bankers said the deal was the latest sign of the compression of margins in a market where the borrower appears to be firmly in the driving seat.

"This is about as close to the bone as banks can get for a deal of this size," said one banker not involved in the syndicate.

"If it had been $500m or even $1bn then a margin of 10 basis points (a basis point is a hundredth of a percentage point) over Libor would be palatable. But $10bn for the launch of a new and untried company is excessive."

Bankers also said the fees BT and MCI would pay to the arrangers of the loan – Citibank, J.P. Morgan, Bank of America and Chase Securities – were unusually low. At 2.5 basis points on the unused portion of the $5bn tranche of the loan, and 4.5 basis points on the unused part of the $2.5bn tranche, the fees to be paid to the syndicate would be "minimal", said one competitor banker.

But officials in the banking syndicate said the pricing reflected the impressive market position of the two companies and their ability to make a success of the launch of Concert. The officials added that BT had a credit rating of Aa1 – the second-highest grade on Moody's Investors Services's scale.

"I have to admit that the pricing is pretty aggressive," said one banker involved in the syndicate. "But BT is a super name and we just had to be there in the deal."

Some analysts also expressed surprise that the lead syndicate consisted of US banks despite the fact that BT was a UK company.

"The absence of any large UK or European-based lenders among the lead arrangers will be seen as a blow to their global ambitions, considering the size and importance of the deal," said one.

Belgian utilities merger backed

By Neil Buckley in Brussels and Andrew Jack in Paris

Government favours link-up of Tractebel and Electrabel

The prospect of a multi-billion dollar link-up of two of Belgium's biggest companies, Tractebel and Electrabel, gained ground yesterday after the Belgian government said it favoured such a deal.

France's Compagnie de Suez, which controls 65 per cent of Tractebel through Société Générale de Belgique, its Belgian holding company subsidiary, also suggested it was prepared to examine such a merger. But it said it intended to retain control of Tractebel.

A merger would create a BFr650bn ($18.5bn) utility which would dominate Belgian electricity and gas, and account for almost 15 per cent of the total capitalisation of the Brussels bourse.

Electrabel, the electricity generator which is already Belgium's largest company by market capitalisation, and Tractebel, the utility group which owns 44 per cent of Electrabel, insisted no merger talks had taken place. But it is thought the broadly positive signals from government and shareholders could trigger a feasibility study of a tie-up.

The office of Mr Jean-Luc Dehaene, Belgian prime minister, confirmed he supported a merger to safeguard the Belgian energy sector and employment. He is concerned Belgian interests could be threatened by the merger of Tractebel's ultimate parent, Suez, with the powerful French utility group Lyonnaise des Eaux.

That merger – approved yesterday by the European Commission – has provoked fears of conflicts between Lyonnaise and Tractebel. Merging Tractebel and Electrabel would dilute the French parent group's stake and help preserve the autonomy of Belgian interests.

The Flemish newspaper De Financieel-Economische Tijd reported Mr Dehaene had mooted a merger between Tractebel and Electrabel when he met the Suez and SGB chairmen in March to voice concerns about the French merger.

Suez "formally denied" the newspaper's suggestion that Mr Gérard Mestrallet, its chairman, had given written approval to a Tractebel/Electrabel merger. But Suez said it was "ready to study all developments that are advantageous for our shareholders", and Suez and SGB said they would want to retain control of any new group.

Mr Dehaene's office, meanwhile, released a letter from the premier to Mr Etienne Davignon, SGB chairman, recording that neither the SGB nor Suez chairmen had expressed "any objection in principle" to a merger between Tractebel and Electrabel.

P&O and Stena face delay on planned alliance

By Emma Tucker in Brussels and Ross Tieman in London

The European Commission will seek extra time to complete its study of a proposed merger between the two leading ferry services that compete with the Channel tunnel, raising fresh doubts about cementing the merger before the peak summer season.

A "letter of doubt" indicating concerns about the impact on competition is set to be issued next Wednesday by the Competition Directorate.

But Commission officials and companies alike appear confident the concerns can be resolved, and that European Union approval for merging some operations of Peninsular and Oriental Steam Navigation Company and Stena Line will be forthcoming.

As there is no deadline by which the Commission's authorities have to pronounce on the deal, regulatory approval from Brussels could take several weeks at least. But the ferry operators are keen to begin collaboration before the holiday season, which causes a summer peak in cross-Channel traffic, gets into full swing in July.

Commission approval is a key step in the drive by P&O and Stena to merge operations on the so-called short-sea eastern Channel routes. The companies say it is essential to cut costs and take ships out of service if they are to compete profitably with the tunnel.

An inquiry by the UK's Monopolies and Mergers Commission was completed on April 4, but publication was delayed by the UK's general election. The trade secretary, Mrs Margaret Beckett, is expected to publish the MMC findings, and indicate whether the deal is acceptable, at the end of next week.

On Monday French authorities approved the creation of the 60/40 joint venture, P&O Stena, which is slated to own 14 ships and have gross assets of £410m ($668m).

Under the deal, proposed last October, P&O and Stena will combine operations on the Dover-Calais, Dover-Zeebrugge and Newhaven-Dieppe routes.

Commission concerns apparently centre upon the effect this will have upon competition in a market for carrying more than 2.9m cars a year across the Channel.

Together, the two companies would control about 40 per cent of the tourist vehicle market, with Eurotunnel, the tunnel operator, taking a further 40 per cent and other ferry groups holding the rest.

Next week's letter to the two companies will enable the Commission to extend its inquiries and press for modifications to the deal or supporting undertakings.

Brussels will expect the companies to respond to its competition concerns by offering changes to the joint venture. It is understood officials want guarantees that P&O Stena will operate as a separate entity, competing for custom with other routes operated independently by its parent companies.

If these are satisfactory, the alliance will almost certainly be given clearance.

Long-term debt rating reduced because of concern over carrier's poor cost structure

Moody's downgrades Japan Airlines

By Michiyo Nakamoto in Tokyo

Prospects for a quick recovery of Japan Airlines, the world's sixth largest passenger airline, were thrown into doubt yesterday by Moody's, the credit rating agency.

Moody's said it downgraded JAL's unsecured long-term debt rating from A2 to A, citing a poor cost structure of the company.

Amid increasing competition in both the international and domestic markets, JAL is unlikely to be able to improve profitability unless it implements far deeper cost cuts than currently planned, Moody's said.

The Moody's downgrade follows a negative outlook statement in March by Standard & Poor's, another rating agency. Standard & Poor's said it downgraded JAL's outlook from stable to negative, noting that the company's need to make additional investments in aircraft would limit any short-term improvement in its financial profile.

JAL reported a loss of Y16.9bn ($145m) in the year just ended, in spite of higher sales of Y1,195.3bn, and has omitted the dividend. The company attributed the loss to unexpectedly high fuel costs.

In April, JAL implemented a five-year corporate plan with the aim of returning to profitability and dividend payments.

The plan involves making greater use of low-cost subsidiaries while expanding routes to meet market demand. JAL is also making cost-cuts, including a system of annual salary negotiations for senior managers and the elimination of 800 jobs by 1999.

JAL expects these measures to help it return to profitability in the current fiscal year and make a recurring profit of at least Y30bn in fiscal 1998.

"It's very disappointing in view of the fact that our restructuring programme is producing positive results," JAL said of the Moody's downgrade.

But Ms Fujie Sato, analyst at Moody's, said JAL's current corporate plan is insufficient to return the company to profitability. She pointed out that JAL's personnel costs are 20 to 30 per cent higher than those at All Nippon Airways, the second largest Japanese carrier, and 40 per cent higher than at most non-Japanese Asian airlines.

Internationally, competition from more cost-efficient US and Asian carriers has been particularly fierce. In the home market, deregulation will allow new carriers into the market for the first time in 45 years.

Chairman acts to tighten grip on Tata

Ratan Tata wants the Indian group's 84 operating companies to become 'a tighter confederation'

Ratan Tata is tightening his grip on the unruly set of companies that make up India's largest industrial group.

Six years after becoming chairman of Tata Sons, the main Tata group holding company, he is stepping up the pressure on more than 80 operating companies to fall in with group discipline and to sharpen the focus of their businesses.

Mr Tata has boosted the holdings of Tata Sons in companies where it had become too diluted, and would like to increase some further. He has enforced a retirement policy on top executives, and assumed the chairmanship of group companies when chairmen retire.

He is introducing a code of conduct as well as a "fee" for using the Tata name – companies must agree to both if they wish to be members of the group. He also plans to consolidate overlapping businesses and sell others.

"We are a loose confederation of companies," he said in an interview with the Financial Times. "What I would like to see is that we become a tighter confederation of companies."

The group's recent performance suggests that some of the reforms initiated by Mr Tata are paying off. In the 1995-96 financial year, total sales at 84 Tata companies rose from Rs218bn to Rs286bn ($7.99bn) and pre-tax profits from Rs19.7bn to Rs32.3bn.

Telco, the group's truck and carmaking arm, this week reported 28 per cent growth in sales to Rs101bn in 1996-97 and a 32 per cent rise in pre-tax profit to Rs10bn.

Telco's success underlines the fact that the Tata group remains strongest in its long-standing businesses such as steel, trucks, electricity and chemicals, but has yet to make big inroads in newer areas such as infrastructure and telecommunications.

Mr Tata, however, is reluctant to be specific about where future growth will come from. This is because he is conducting a review, with the help of McKinsey, the management consultants, which will result in the consolidation of businesses in which several Tata companies compete with each other, and the sale of others. "We need to look at our businesses as businesses and stop looking at them as the domain of a single company," he said.

This is likely to be the next of a series of battles with the satraps who previously ran the Tata companies autonomously. The strong personality of the late Mr J. R. D. Tata, who headed the group for 53 years, oversaw them from a distance.

Operating companies had used membership of the Tata group at their own convenience. "When they seek a collaborator, they are part of the group. When they seek to go to the banks or financial institutions, they are part of the group. At other times, they are not".

Tata Sons' holdings

[illegible]

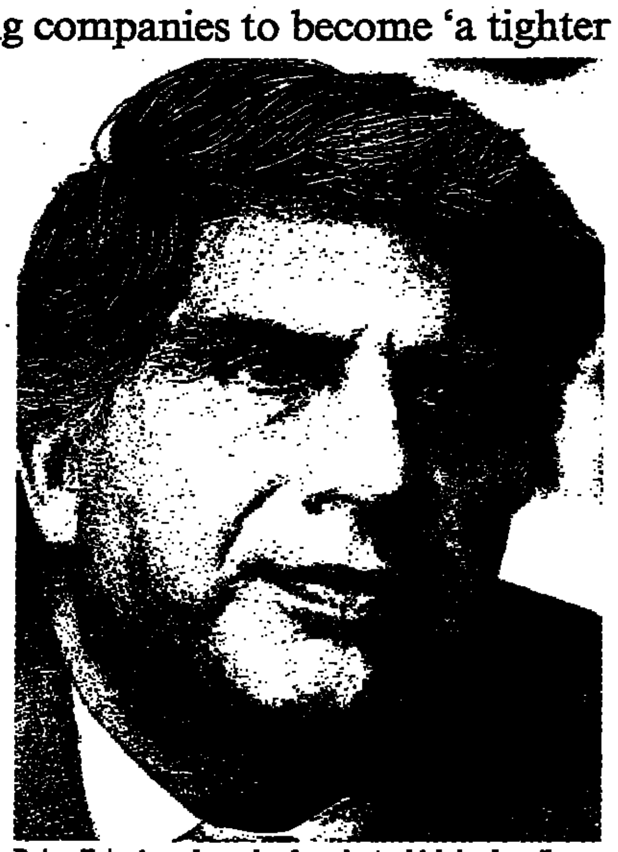
[illegible]	[illegible]
Telco	15.23
[illegible]	[illegible]
Tata Power	[illegible]
[illegible]	[illegible]
Voltas	[illegible]
[illegible]	[illegible]
Indian Hotels	[illegible]
[illegible]	[illegible]
Tata Tea	29.02
[illegible]	[illegible]

Source: Tata Services

The latest of several face-offs with group chairmen is with Mr Nani Palkhivala, chairman of ACC, the cement company. Mr Palkhivala, a noted figure who used to give lectures on the Indian budget to huge audiences, has held out against the Tata policy of retiring chairmen at 75 (he is 77). He now says that ACC is not a Tata company, and the Tata group has deliberately left it out of its latest list of operating companies. Mr Tata said: "I hold a view that is different from his but I won't say anything more."

The new code of conduct, described by Mr Tata as "a sort of overall governance of the group's direction," is an attempt to deal finally with such situations. It is due to be sent out to all operating companies within the next few weeks.

If the companies sign up, they will pay a small proportion of their profits to the holding company, which will then spend the proceeds on developing the Tata "brand" world-wide – even though some companies, such as Titan, the watchmaker, and Indian Hotels, which operates the Taj group, hardly use the Tata name.



Ratan Tata: issued a code of conduct which he describes as 'a sort of overall governance of the group's direction'

Some doubt could arise about whether companies belong to the group, since Tata only holds minority stakes in most of them.

In some cases, stakes were so low that the Tata group's role as parent could be questioned. In the 1980s, the Tata holding in the flagship Tata Iron and Steel Company (Tisco) fell as low as 3 per cent – and it was Tisco that held most of the Tata holding in Telco.

India's liberalisation, including stock market reform, a takeover code, and pressure on state-owned shareholding institutions to be less passive, made the small holdings untenable. Mr Tata has sought, sometimes by controversial means, to increase them.

The Tata holding in Tisco is now 15 per cent. Mr Tata said: "If it were an ideal world we would like to be about 26 per cent in each of our companies." Under Indian company law, a 26 per cent stake can block a special resolution at a shareholders' meeting.

Mr Tata provoked fierce criticism when he asked group companies to subscribe to a rights issue in Tata Sons and used the proceeds to increase its holdings in group companies. But he insists it was necessary to tighten the group structure so that it outlived him.

Alexander Nicoll

ASIA-PACIFIC NEWS DIGEST

Technical unit for Samsung Motors

Samsung Motors, the carmaking subsidiary of one of South Korea's biggest industrial groups, has made a further step towards building its own vehicles with the opening of a technical centre at Kongseri.

The facility, in which the company plans to invest $393m by 2005, will be crucial to its ambitions to develop an entirely independent vehicle. Samsung Motors, which expects to launch its first vehicle next March, has so far relied on technical assistance from Nissan of Japan, with which it has a collaboration agreement.

The technical centre, which embraces engine and environmental testing, prototype production and structural safety, as well as mainstream research and development, will eventually employ 3,000 people. Spending on the first phase, which has just been opened, amounted to $169m.

Haig Simonian, Motor Industry Correspondent

Wharf Cable in home shop deal

Wharf Cable TV, which holds Hong Kong's sole pay-TV licence, has marked its first week of sanctioned advertising by signing up TVSN, a Sydney-based TV shopping network. The service replaces Wharf's own home shopping service, which has migrated to other channels. Viewers of TVSN will have a choice of 4,000 products bearing brand names ranging from Pierre Cardin to Wedgwood. TVSN already broadcasts in Mandarin and Japanese, and is also launching a 24-hour Bahasa Indonesian audio channel. *Louise Lucas, Hong Kong*

NTT expands early retirement

NTT, Japan's largest telecoms carrier, has expanded its early retirement scheme in a bid to strengthen its corporate structure ahead of splitting into three separate carriers in 1999. The newly enlarged scheme will extend an early retirement programme introduced in 1992 to a larger number of employees. Under the earlier scheme, only employees between the ages of 45 and 55 who had been with the company for more than 10 years were eligible for early retirement benefits. The new scheme extends to employees between 40 and 57.

NTT said it had no specific target for personnel reduction but that about 2,000 to 3,000 employees had signed up for its existing plan each year. The new plan will be in effect for 1½ to 2 years from September. The company, which had an employee count of 182,500 at the end of March, has been stepping up its personnel cuts in recent years, bringing the total to below 200,000 two years ahead of schedule. *Michiyo Nakamoto, Tokyo*

Cathay Pacific to resume flights

Cathay Pacific, Hong Kong's main airline whose A330-300 aircraft have been grounded because of engine problems, plans to have all flights up and running by next Friday. Testing and certification of modifications to the Rolls Royce 700 engines have been completed, the company said yesterday, paving the way for some services to resume from today.

Cathay Pacific has cancelled a total of 192 flights since suspending services on May 24 and calculates the disruption has cost it between HK$120m and HK$150m (US$15.5m-$19.4m). It has indicated it will seek compensation for the engine problems from Rolls Royce.

Louise Lucas

COMPANIES AND FINANCE: ASIA-PACIFIC

Renong disposal hit by weak share price

By James Kynge in Kuala Lumpur

Renong, Malaysia's leading infrastructure company, has been unable to sell a M$460m (US$183m) stake in an engineering affiliate because of weakness of the local share price.

The difficulties encountered by the giant construction, road-building and telecoms group are a further indication of waning confidence in the country's stock market, following this week's undersubscription of a rights issue by Ekran, the company building the controversial Bakun dam.

Renong, which has close links to the government, has been trying to sell 112m shares in Time Engineering, in which it has a 47 per cent stake.

The group needs the cash to finance its participation in large infrastructure schemes such as the construction of Putrajaya, a new M$20bn administrative capital near Kuala Lumpur, and Cyberjaya, an intelligent city which will form the centrepiece of a huge information technology project called the multimedia super-corridor.

But the decline of the Malaysian market means any sale will lead to big losses. The stock, which Renong originally bought at M$4.95 a share, yesterday closed at M$4.12.

Concerns over Renong's cash flow helped drive down the company's share price yesterday by 10 cents, or 2.7 per cent, to M$3.68.

In a face-saving exercise, Renong has come up with an unusual plan to store the shares with a newly-created company in the Cayman Islands until the market picks up.

Under the scheme, devised by Schroders Malaysia, a unit of the UK financial group, a company called Time Investments (Cayman) is to buy the shares at M$4.95. Time Investments plans to finance the stock purchase by issuing US$262m in floating rate notes with call warrants attached, Renong said.

Schroders will then try to sell the stock when the Malaysian market, which has fallen 12 per cent from its high this year, recovers. If the market does not recover and the shares remain unsold after two years, Renong has pledged to buy them back.

Renong's cash squeeze worsened last month when it postponed an offering of shares in Plus, its toll-road subsidiary, from the third quarter until the end of the year because of adverse stock market conditions.

It also announced last month the sale of two parcels of land in the southern state of Johor for a total M$236.5m. Analysts described the sale as a sign that the company needed to raise cash, because the land sold was expected to appreciate in value owing to nearby development projects.

Renong is sometimes seen as a microcosm of the wider Malaysian economy. It has benefited from the country's infrastructure boom over the last few years, but must now come to terms with a looming property glut and construction slowdown.

This requires a change in its strategy, which has been geared for a country which has seen nine uninterrupted years of growth at over 8 per cent, analysts say.

Citic seeks stronger balance sheet

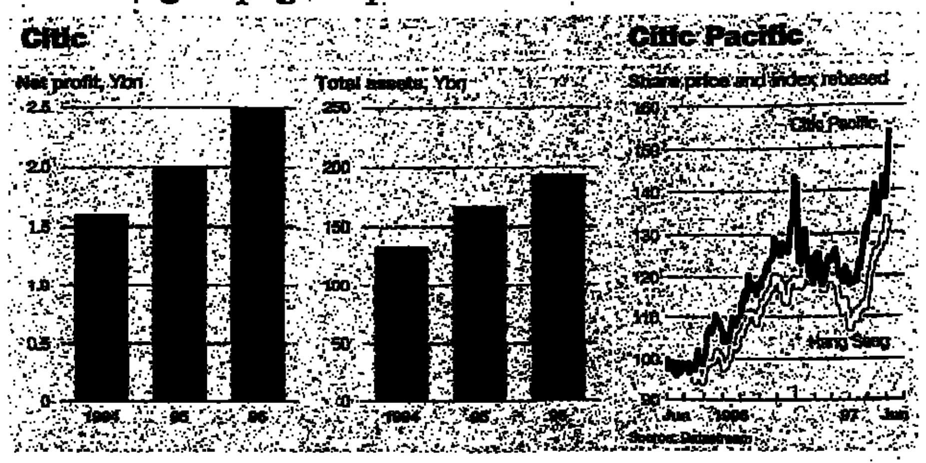
The head of China's flagship group aims to double its net worth in five years

China International Trust and Investment Corporation, the country's flagship state-owned conglomerate, intends to double its net worth to Yn40bn ($4.82bn) in the coming five years as part of a concerted effort to strengthen its balance sheet.

Last December's sale of a 15.5 per cent stake in Citic Pacific, its listed Hong Kong vehicle, should be seen in the context of this plan, which is designed to raise cash to develop other businesses while still improving gearing, Mr Qin Xiao, president of Citic, said in an interview.

The sale, which raised HK$10.9bn (US$1.4bn) and reduced Citic's stake to 26 per cent, surprised the Hong Kong financial community for two reasons: Citic Pacific managers who bought the stake received a substantial discount on the market price; and the parent company's motives were not fully explained at the time.

But Mr Qin said the deal made sense because of the parent company's need for cash. "Cash flow management is the number one thing in our daily operation," he said.



At the end of last year Citic's total assets were about Yn192bn, but its net assets were only Yn21bn, so debt made up nearly 90 per cent of its balance sheet.

Citic was not trying to reduce its debt levels, but it did want to build up its net worth to reduce gearing. The sale of the stake in Citic Pacific has helped substantially, he added, but he did not disclose to what extent gearing had now fallen.

It made sense to sell the stake in Citic Pacific, Mr Qin said, because although the company was a large contributor to overall group profits, it made only a small contribution to cash flow.

Citic equity-accounts its share of the profits of Citic Pacific, but receives only a small dividend in cash.

The impact of the sale on profits would be limited because some of the group's other businesses, including the mainland-based Citic Industrial Bank, were starting to grow fast and the group still held a 26 per cent stake in Citic Pacific, which is continuing to post strong revenue growth.

Citic's profits should grow about 15 to 20 per cent annually over the next few years, Mr Qin said, reaching Yn5bn to Yn6bn in five years, against Yn2.47bn last year.

Meanwhile, Citic had made a large capital gain on the sale, having originally injected only HK$250m into Citic Pacific.

There might be a capital gains tax liability in China, but in that case the government was expected to inject a similar amount of capital into Citic to boost its balance sheet.

Nor was the price unfair, despite a discount of 24 per cent to the price on the day the deal was announced. The deal had been struck some time earlier, when the market price was lower.

Citic had calculated, Mr Qin said, that it was completed on a multiple of about 18 times Citic Pacific earnings. "I don't believe any state-owned enterprise could liquidate their assets at that ratio," Mr Qin said.

Mr Larry Yung, Citic Pacific Chairman, who bought the stake with other members of his management team, had an incentive to continue performing, because the buyers had gone into debt to buy the shares.

Mr Qin said Citic wanted to focus on further growth in domestic banking. Net profits at Citic Industrial Bank rose from Yn1bn in 1995 to Yn1.5bn last year. Citic planned to inject the equivalent of US$120m into the bank this year to finance further branch and lending expansion.

Outside China, the company was seeking to exploit ownership of the Ka Wah Bank in Hong Kong, which was earning good profits but was too small in its present form. Citic might expand it with an injection of additional capital or a new share issue. "But that's not the only choice," Mr Qin said. "I would not exclude the possibility of merger and acquisition."

Peter Montagnon, Tony Walker and John Ridding

Telekom Malaysia in Thai venture

Telekom Malaysia, the country's largest telecommunications conglomerate, is to announce on Monday that it will take a large stake in Digital Phone, Thailand's newest mobile phone network operator, writes Ted Bardacke in Bangkok.

Details of the venture have not been officially released, but Telekom Malaysia is expected to pay about $100m for a 20-25 per cent stake in the company, which will operate a digital network scheduled to begin working in the first quarter of next year. Total investment cost of the new mobile system in the first three years is almost $500m.

Digital Phone, a subsidiary of Thailand's Samart Group, will initially have 50,000 subscribers, who will automatically be transfered to it from the digital network of Total Access Communications, the country's second largest mobile operator.

Telekom Malaysia already operates a digital network in its home country but it is a GSM system, which is incompatible with Digital Phone's PCN system.

Digital Phone is the second new mobile operator in Thailand to turn to other Asian operators for an injection of equity and operating experience. Last month, Korea Telecom agreed to pay $150m for a 20 per cent stake in Wireless Communications, a subsidiary of Thailand's International Engineering.

Two more licences to operate mobile networks are expected to be awarded by the Thai government early next year, bringing the number of operators to six.

In addition, Telecom Asia, the country's dominant telecommunications group, is launching a Japanese-style low-cost PCT system in the Bangkok area later this year.

Four CCA board seats for San Miguel

By Nikki Tait in Sydney

San Miguel, the Philippines-based food and beverage group, will get four seats on an enlarged 16-member board of Coca-Cola Amatil, the Australian soft drinks bottler, as part of the A$3.7bn (US$2.8bn) deal between the two groups.

In early April, San Miguel announced that it was selling its 70 per cent stake in its domestic Coca-Cola bottling operations to CCA, and taking a 25 per cent interest in the Sydney-based group.

This will make San Miguel the second largest shareholder in the enlarged CCA after the parent Coca-Cola group in the US, whose interest will be diluted to about 33 per cent.

But the Philippines' Presidential Commission on Good Government, the government body which owns 48 per cent of San Miguel, erected obstacles, saying that the Philippines company had to receive "fair valuation" for its domestic bottling operations, and that the three board seats it had been offered at CCA were inadequate.

Apart from the additional board seat, the terms of the deal will not be changed, and CCA confirmed yesterday that the three main parties – San Miguel, Coca-Cola in the US and itself – had signed definitive agreements.

CCA added that its own "independent expert's report" had been finalised, and concluded that the transaction was "fair and reasonable" for CCA shareholders.

The report will be sent out early next week, and an extraordinary general meeting will be held later this month or in early July to seek formal shareholder approval.

Assuming the deal proceeds, it will sharply increase the size of CCA. The San Miguel bottling operation runs 21 plants in the Philippines, and sold about 1.9bn litres – or 334m unit cases – in 1996. Its net profit, at A$144m, was slightly larger than CCA's A$142m.

CCA shares surged after the deal was announced, and jumped again yesterday after the announcement that definitive agreements had been signed.

The stock closed 61 cents higher at A$16.01. In early April, before the deal was first unveiled, CCA shares were trading at A$11.95.

● ERG, the listed Australian card systems and telecommunications group, has won a A$8.4m contract for a new automated fare collection system to be operated by the Moscow metro.

The system will use combined magnetic and non-contact smart-card readers, as well as barriers, on-station computers and a data collection system.

It will involve installing new gates in 153 metro stations, and should be launched later this year.

Serbs cede 'significant management rights' at telecom operator but keep veto

OTE, Stet to take Serbian stake

By Kerin Hope in Athens and Guy Dinmore in Belgrade

OTE, Greece's state-controlled telecommunications operator, announced yesterday that it was participating with Italy's Stet telecoms group in a DM1.57bn ($909m) deal with the Serbian government to buy 49 per cent of the state-owned Telecom Serbia.

A Greek telecoms official said Stet and OTE had initialled a preliminary agreement with the Serbian operator, while a senior government official in Belgrade said the deal would be signed this week.

The Greek official said Stet and OTE would take stakes of 29 per cent and 20 per cent, respectively, in Telecom Serbia, with the Greek group retaining an option to buy a further 4.5 per cent of the company from Stet.

Telecom Serbia would also hand over "significant management rights" to its foreign partners, but the Serbian government would retain a "golden share" giving it the power of veto over decisions by the board.

The deal would mark OTE's first equity participation in a telecoms operator outside Greece and reflects a flourishing political relationship between Greece and Serbia, including the Bosnian Serbs.

OTE has built up close links with Telecom Serbia and last year financed a $260,000 study for a separate telecoms network for the self-styled Serb "republic" in Bosnia.

OTE is due to float another 10 per cent to 12 per cent of its equity on the Athens stock exchange this month in the second stage of a partial privatisation that started last year.

Part of the proceeds, projected at about Dr300bn ($1.1bn), would be used to finance acquisitions of strategic stakes in other Balkan and ex-Soviet telecoms operators.

Serbia Telecom was valued at DM3.1bn by the UK's NatWest Markets, advisers to the Serbian side, and at DM3.3bn by UBS of Switzerland, which is advising Stet.

BZW of the UK and Ionian Finance, a state-owned Greek concern, are advising OTE.

The Greek official said Stet and OTE had agreed to pay DM1.57bn for 49 per cent of the Serbian operator. OTE would pay DM675m in two tranches for its 20 per cent stake: DM543m to be paid in cash after signing the contract and DM132m next year.

The deal also includes a GSM mobile telephony licence valued at DM125m.

OTE has agreed to pay DM51m for a 40 per cent stake in what would be Serbia's second cellular network.

Europe hits venture capital record

By Katharine Campbell, Growing Business Correspondent

Europe's venture capitalists invested a record Ecu6.8bn ($6.02bn) last year, 21.7 per cent more than in 1995. The largest increase in activity was seen in the UK, but Sweden and Switzerland also showed strong growth.

As the industry matures, it is growing more international: venture capitalists made 15 per cent of their investments outside their respective borders, according to a study published today by the European Venture Capital Association and KPMG, the accountants.

The survey was carried out by Graham Bannock & Partners, the UK consultant.

The average size of investment is also increasing, as smaller European companies prune debt levels in favour of more equity financing, according to Mr Raynier van Outryve d'Ydewalle, chairman of EVCA.

A low interest rate environment, spurring investors to hunt for ways of enhancing yield, helped to set the conditions for a record fundraising year, with fresh funds nearly doubling from Ecu4.4bn to Ecu7bn.

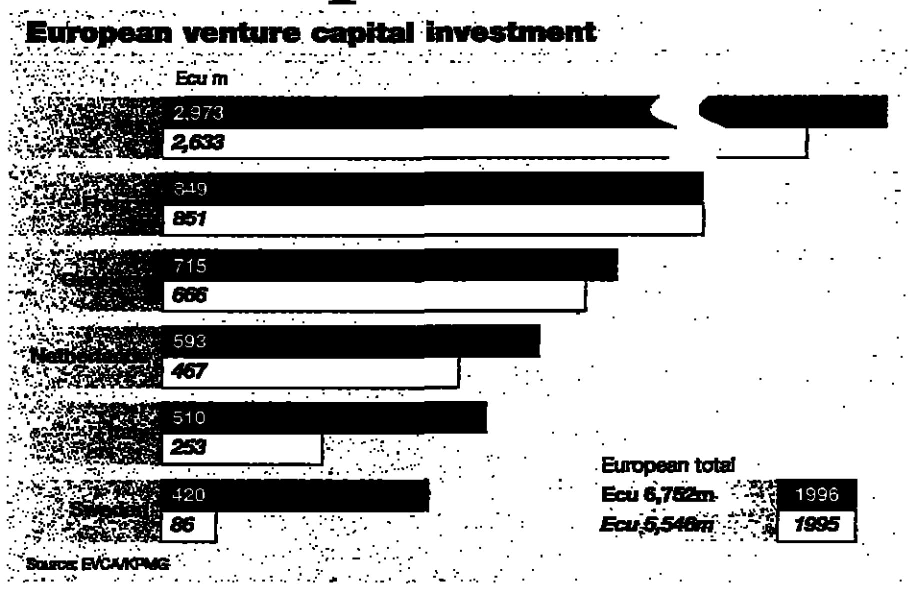
UK investment houses still pull in the most significant sums at Ecu3.7bn, but the Netherlands raised Ecu1.4bn – more than five times the 1995 tally. All countries except Spain enjoyed an increase in new funds.

More money flowed in from outside the continent, principally from America, but also from Asia. Non-European sources accounted for Ecu1.4bn, compared with Ecu490m in 1995.

"Investors observe fierce competition in the US market, and at the same time they realise that Europe is maturing," said Mr van Outryve d'Ydewalle.

Buy-outs and buy-ins again attracted a large share of the money – Ecu3bn – and Ecu2.7bn flowed into expansion stage investments. The more risky end of the market – seed and start-up capital – witnessed increased activity, with Ecu441m invested, a 37 per cent rise.

Consumer-related industries proved the most sought-after, with Ecu1.2bn or 18 per cent of the total. But venture capitalists also invested Ecu1.3bn across the various technology sectors – including communications, computer-related industries, other electronics and biotechnology.



Philips disputes Grundig deficit

By Barbara Smit in Amsterdam

A row between Philips and Grundig deepened yesterday when the Dutch electronics group refused to cover the entire DM631m ($366m) losses reported for 1996 by the German company earlier this week.

When it acquired a 31.6 per cent stake in Grundig in 1984, Philips committed itself to bear any losses incurred by the German group. After several years of dismal results, Philips relinquished management control in January, but is still obliged to compensate losses until the end of 1996.

Philips said it had already paid DM225m to honour this obligation, but it disputed the extent of the increased shortfall reported by Grundig, which had been previously estimated at DM533m.

"There is a huge gap between the reported losses and what we are prepared to fork out," said Mr Ben Geerts, Philips spokesman.

Under the 1984 agreement, Philips must pay an annual dividend of DM45m to the Max Grundig Foundation, the original parent, regardless of the company's performance. The foundation also had the right to sell its 16.4 per cent direct stake in Grundig to Philips upon termination of the contract, at an agreed price of DM129m, and it may offer an additional indirect stake of 52 per cent to Philips in 2004 for DM411m.

Mr Geerts said Philips had recently bought the 16.4 per cent stake and sold it again at a lower price to Hohenstaufen, a German asset manager. He declined to reveal the extent of the loss incurred on the deal.

Siemens to help build Taiwan power station

By Graham Bowley in Frankfurt

Siemens is to help build a DM2bn ($1.2bn) power station in Taiwan, in what is set to be the German engineering group's biggest involvement yet in a power project in Asia.

Siemens' power generation division yesterday secured an agreement to build the coal-fired power station, together with Huatung Power Company of Taiwan, in Hualien, on the country's east coast.

The agreement strengthens Siemens' foothold in the Asia-Pacific region, which is already its biggest market in power generation, accounting for about 30 per cent of worldwide power generation sales of DM9.1bn.

Siemens said it would receive orders worth about DM1.3bn to build the power station – which will consist of two 500MW blocks – and would help operate and maintain it.

However, it said negotiations were still under way on the financing of the project. It was unclear whether, or to what extent, Siemens would be an investor in the plant. In previous power station projects, Siemens has financed between 10-50 per cent of the station, the company said.

Siemens is involved in two other projects in Taiwan, but the new station in Hualien is set to be the biggest. It is also participating in power generation projects in China, Malaysia, the Philippines and Indonesia. Construction on the new Taiwanese plant will begin early next year.

The two companies said they planned to build a further two power stations within the same region, but that their location and size had yet to be decided.

Huatung Power Company, an independent power producer, is owned by Core Pacific, China Petrochemical Development Corporation and BES Engineering Corporation, all leading Taiwanese companies.

Mr Andreas Kley, a member of the board of Siemens power generation group, said: "The agreement allows us a close co-operation with these companies and in particular to work with Core Pacific Group, which is one of the top 15 conglomerates in Taiwan, and to strengthen our position in the east Asian market even further."

The two groups said the license to produce power had been received from the central government, and applications had been submitted to the local authorities for environmental approvals.

Accor aims to double income

By Andrew Jack in Paris

Accor, the French hotel and travel group, yesterday revealed details of a business plan designed to increase operating profits this year by 20 per cent to FFr300m ($51.5m) and double net income by the end of the century.

Mr Jean-Marc Espalioux, the chairman appointed last year, told shareholders at the annual meeting in Paris that the plan – called Accor 2000 – should create extra profits of up to FFr200m next year, FFr500m in 1999 and FFr750m in 2000, when Accor should generate total net income of FFr2.2bn.

However, he said in an interview that there would be a "strategic review" of the group's assets in the second half of the year.

This was likely to lead to the sale of "dozens" of its 2,500 hotels and sale-and-leaseback operations, notably in Motel 6, its US budget chain.

He said the sale of an 11.5 per cent stake held by Accor in Compass, the UK catering group, for FFr2.35bn this year had provided the the financial manoeuvring room for the group's development, and that he was satisfied with the current net debt to equity ratio of less than one.

Accor 2000 will create three multi-brand divisions of its different hotel chains which have previously operated as separate businesses.

These would be high-range and medium-range (including Sofitel, Novotel and Mercure); budget (Ibis, Formule 1, Etape Hôtel); and Motel 6.

The group will increase its emphasis on bulk purchasing and divisional co-operation to reduce costs and develop a broader range of client loyalty measures across the hotel businesses.

It will invest FFr500m over the next 18 months in information technology to increase yield management, improve reservation systems and offer services through multimedia techniques.

Mr Espalioux stressed his commitment to the four operating activities of Accor: hotels; Carlson Wagonlits, its travel agency; Europcar, the car rental business; and service vouchers.

He set an objective of net income in excess of FFr50m this year for Europcar; a tripling of operational profits at Carlson Wagonlits by 2000; and highlighted sharp growth in the vouchers business.

Implementation of Accor 2000 in co-operation with the top 250 managers in the group begins in the middle of this month, and Mr Espalioux said the first effects should be clearly visible during 1998.

EUROPEAN NEWS DIGEST

SGS contract loss prompts warning

Société Générale de Surveillance, the world's biggest testing and pre-shipment inspection company, has issued a profit warning after the loss of two of its biggest contracts.

SGS had warned in March that its profits might be affected by the non-renewal of its pre-shipment import verification contract with Indonesia, its biggest contract, and the Pakistan government's early termination of a pre-shipment verification contract which was due to expire in January 1999.

However, stock market analysts had expected that the benefits of a weaker Swiss franc and strong growth in the rest of the business would offset the loss of two of the group's biggest contracts and the company would post its tenth consecutive year of earnings growth.

Yesterday, SGS announced at its annual meeting in Geneva that it had lost a smaller contract in Nigeria and expected its net profit for 1997 would be lower than in 1996 when earnings rose 14 per cent to SFr262.7m ($183m). SGS shares, which have been the worst performers in the Swiss Market index this year, fell after the profits warning but ended yesterday SFr25 higher at SFr3,250.

William Hall, Zurich

French buy for AssiDomän

AssiDomän, the Swedish paper and packaging group, has acquired Lecoursonnois, a privately-owned French paper group, for SKr400m ($51.6m). The deal will give Assi 3 per cent of the French corrugated board market, making it Europe's third largest producer of this grade. Assi said the transaction completed its pan-European network of corrugated packaging units, which includes nearly 60 plants in 12 countries. Corrugated packaging is Assi's biggest business area, accounting for 41 per cent of annual sales.

Lecoursonnois, with projected turnover this year of SKr500m, has three wholly-owned corrugated packaging plants and one paper mill. Also part of the deal is a 49.9 per cent stake in Giepac Bourgogne, a Dijon-based group consisting of five corrugated packaging plants. Mr Lennart Ahlgren, Assi chief executive, said the acquisition would be earnings-enhancing this year.

Greg McIvor, Stockholm

First Austrian in merger

The supervisory board of First Austrian Savings Bank yesterday voted to merge its operations with those of Girocredit, which it acquired from Bank Austria earlier this year. The merger will become effective on September 30 and will create Austria's second largest bank with assets of Sch669bn ($55bn).

Mr Andreas Treichl, who becomes First Austrian chairman next month, predicted 10 per cent earnings growth each year from the merger. Girocredit chairman Mr Ferdinand Lacina, a former finance minister, said he would step down once the merger was complete.

First Austrian will also take over the clearing house functions for the savings bank sector from Giro Credit. In contrast to First Austrian, Bank Austria, the largest bank, is barred from fully merging with Creditanstalt by a political agreement which it signed after acquiring a majority stake in its main rival at the beginning of the year.

Eric Frey, Vienna

Wella forecasts 25% advance

Wella, the German hair care and cosmetics company, yesterday declared it was "back on track" after it reported a 10 per cent increase in first quarter sales and forecast a 25 per cent rise in earnings this year.

The company disappointed last year after a weaker than expected recovery from a sharp drop in earnings in 1995. But Mr Jörg von Crausbaar, chairman, said sales would rise 7 per cent this year.

"We are planning on a 25 per cent improvement in earnings in 1997. The first quarter confirms this aim," he said.

Graham Bowley, Frankfurt

Iberia acquires regional carrier

Iberia, the Spanish flag carrier, said it had acquired 100 per cent control of the regional airline Aviaco in anticipation of Iberia's privatisation in 1999.

Iberia, which already held 33 per cent of Iberia, was given the remaining 67 per cent stake in Aviaco by the state holding company SEPI, which fully owns Iberia. The government did not immediately put a value on the transfer. Iberia has acknowledged it has been talking with several airlines about a strategic alliance.

The airline has cut costs substantially in recent years and announced a group net profit of Pta3.5bn ($24m) in 1996, its first annual profit in many years. *AP-DJ, Madrid*

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COMPANIES AND FINANCE: THE AMERICAS

AMERICAS NEWS DIGEST

Brahma shares list in New York

Brahma, Brazil's largest brewer, listed its shares on the New York Stock Exchange yesterday in the latest example of Brazilian companies seeking to attract international investors. Following the listing last week in New York by Pão de Açucar, the retailer, there are now five Brazilian companies with Level II depositary receipts. Up to 15 other Brazilian groups are believed to be considering following suit.

Brazilian companies have been reluctant in the past to list abroad, in part because of the higher level of disclosure required. However, the demand for capital that has resulted from three years of sustained economic growth has made them more responsive to the needs of international investors.

Mr Marcel Telles, Brahma chief executive, said that more than 30 per cent of the company's shareholders were outside Brazil, primarily in the US, compared with 1 per cent six years ago.

The listing would make trading easier for these shareholders, and the publication of the company's accounts under US accounting procedures might help attract other institutions that were not dedicated emerging market investors, he said.

Geoff Dyer, São Paulo

Tishman Speyer looks abroad

Tishman Speyer, one of New York's biggest real estate developers, said yesterday it was considering building massive US-style retail and entertainment developments in the UK, Germany and Brazil.

The company has formed an alliance to explore overseas developments with The Mills Corporation, a real estate company which operates four so-called "super-regional" mall developments in the US, which between them attract 18m visitors a year. These include the giant Potomac Mills development on the East Coast, which attracts visitors from a wide area around Baltimore and Washington DC.

"The concept of retail and entertainment centres is virtually unexplored outside the US and Canada," said Mr Laurence Siegel, Mills chairman.

Richard Waters, New York

Repsol expands in Argentina

Spain's Repsol group, pressing ahead on its acquisition trail in Latin America, has moved into the bottled-gas distribution business in Argentina with a $79m investment through Astra, its Argentine affiliate. The purchase of Algas, one of the four main companies in the sector, followed closely the announcement of a $345m plan to build up the Repsol-Astra group's oil interests, establishing control over a network of 700 service stations.

Repsol, which is a producer of liquefied petroleum gas, will now control about 13 per cent of the Argentine retail market through Algas and its offshoot Poligas Luján, which have 24 bottling plants and extensive storage facilities.

Last year Repsol secured about 40 per cent of the bottled gas market in Peru, the other main focus of its Latin American investment drive, by buying control of the leading company in the sector, Solgas, for $39m.

Repsol has a 47.5 per cent stake in Astra, which it has been using as the vehicle to create an integrated oil and gas concern in Argentina, with activities in exploration, production, refining and marketing. *David White, Madrid*

Lucent switches to Mexico

Lucent Technologies, the US-based telecommunications company, will shift all its telephone production to its plant in Guadalajara in western Mexico by 2000. "Before this century ends, we are going to be producing in this state [of Jalisco] ... 100 per cent of production," said Mr Carlos Bue, director general of the Guadalajara plant.

"After representing 10 per cent of [the company's] production [in 1991], this year we are producing for 85 per cent of world demand and next year it will be 95 per cent," he said. The six-year-old plant currently makes about 12m telephones a year.

With the shift to Mexico, Lucent will stop using Asian subcontractors, Mr Bue said. Production in Guadalajara includes 60 different models, ranging from basic telephones to more sophisticated digital and wireless units. *Reuter, Guadalajara*

Pegasus buys DirectTV groups

Pegasus Communications, the US media group, is to acquire five DirectTV providers for about $37m, consisting of $33.9m in cash and $3.1m in deferred payments. The providers collectively serve 18,200 subscribers, and the territories comprise more than 254,000 households in three states.

Pegasus said the planned acquisitions will significantly add to its presence in rural areas of the south-east, upper Midwest and mountain states.

AP-DJ, Radnor, Pennsylvania

Chilean group to go ahead with ADR offering

By Imogen Mark in Santiago

Forestal Quiñenco, the holding company for the Chilean Luksic group, will go ahead with its American Depositary Receipts issue as planned, despite the merger negotiations between VTR, its telecoms unit, and CTC, the main Chilean telecoms company.

However, some market analysts are sceptical about the offering, which is expected to raise about $165m.

"This is a buy-to-sell opportunity," said one analyst, who expects an initial price of about 1,200 pesos per share for a 15 per cent stake in the company, a discount of almost 50 per cent on assets worth $2bn in the market.

The holding company consists of substantial share packages in six widely different subsidiaries, from telecoms (VTR, a 50.7 per cent stake) to beer and wine (CCU), copper cable (Madeco), pastas (Lucchetti), hotels (Carrera) and financial services in Chile and other countries of the region.

These include the OHCH group, which controls Chile's number one bank, Banco de Santiago, a private pension fund, Qualitas, and banks in Peru, Argentina, Paraguay and Uruguay.

The Santiago office of Banker's Trust, which is handling Quiñenco's listing, says final approval of the company's ADR programme by the Securities and Exchange Commission is expected within the next few days. The road show to present the company to potential investors in Santiago and abroad should start next week. The plan is to bring the company to market at the beginning of July.

Should the CTC-VTR merger go ahead, VTR's shareholders would swap their shares for a stake in the new venture. The merger makes sense for both sides, according to Ricardo Fernandez, an analyst at ING Barings in Santiago.

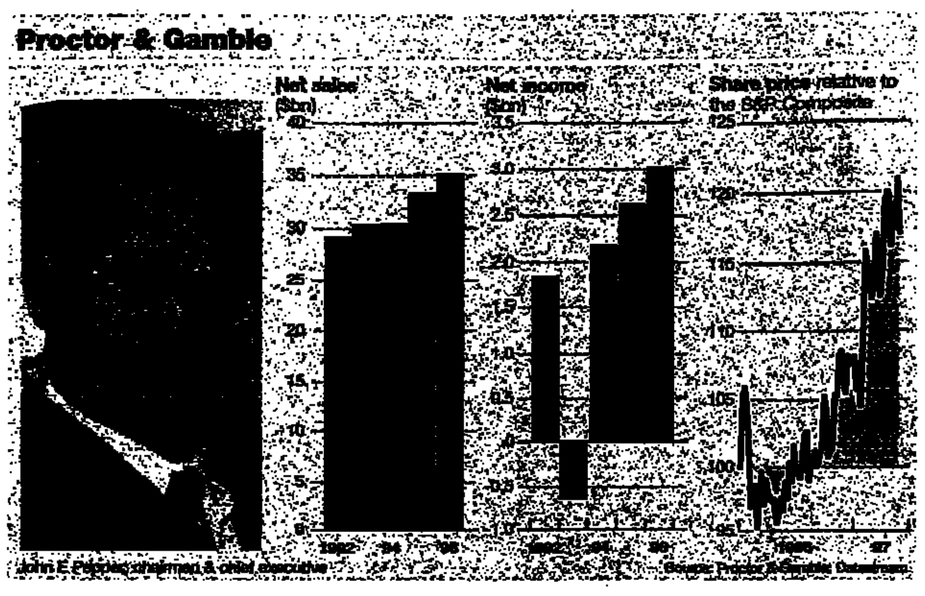
CTC would see a solid increase in its profits, from Telefonica del Sur, the Luksic-owned domestic carrier in two regions of southern Chile. CTC has no presence in those regions, so the merger would give it almost 100 per cent national coverage. VTR's long-distance carrier business adds another 4 to 5 per cent market share to CTC with no extra administrative cost.

The two companies are engaged in a costly battle for the cable TV market, where neither is apparently making money, so a merger there would also be good for the shareholders.

But Chile's anti-monopoly commission has warned that a merger resulting in a single company taking a 97 per cent share of the telecom-cable TV market "can't be done just like that – it needs to be authorised".

P&G to get ahead by marketing

Hair care to laundry products group aims to double global sales every decade



It's called helmet-head, the effect you get from hairsprays that turn your hair into a sticky, solid lump perched uncomfortably atop your head.

But if the advertisements are to be believed, Procter & Gamble has the answer: it's Pantene with Elastesse, the revolutionary new hairspray that provides flexible hold without that sticky feeling.

"Feel your hair, not your hairspray," the slogan goes.

Last week Mr John Pepper, chairman and chief executive, used Pantene with Elastesse as an example of the strategies Procter & Gamble will be deploying in an effort to achieve the most aggressive growth targets it has ever set itself.

Although Procter & Gamble has been delivering satisfactory profit growth, its sales, held back by the maturity of its large, US market, have recently been flagging.

In the nine months to March, volumes rose by just 2 per cent, and revenues, hit by shifts in exchange rates, were virtually flat.

But in a presentation to Wall Street analysts in New York last week – only the second since he took the top job in mid-1995 – Mr Pepper set an ambitious goal of doubling last year's sales of $35bn in the next 10 years, and doubling sales again every 10 years after that.

Mr Pepper says Procter & Gamble's first building block for growth is to increase market share in its top four categories – laundry, hair care, nappies and feminine hygiene.

"Over the past two years, these four categories accounted for over two-thirds of our total sales growth – yet we are only scratching the surface," he says.

In each of these four categories, Procter & Gamble is already global market leader.

But market shares differ widely from one country to another, so the company is setting out to close the gap by raising market shares in those countries where they are low to the sort of levels seen in countries where they are high.

The key to increasing market share in these categories, says Mr Pepper, will be product innovation.

The group aims to develop products like Pantene with Elastesse, which it claims work better than those made by other companies, then use its powerful marketing resources to sell them at a premium price.

Procter & Gamble says that if it only gets half-way towards its goal of closing the market share gap in its top four categories, it will earn another $10bn a year in sales out of its $35bn-a-year target.

It aims to get another $5bn by using similar strategies in its other categories, such as Crest toothpaste, where it has slipped badly in product innovation.

Mr Pepper says the company's second big opportunity for growth is in emerging markets such as central and eastern Europe, China, and the southern parts of Latin America.

He says 30 per cent of the consumers available to Procter & Gamble today live in China, and sales there are expected to cross the $1bn threshold this year.

Mr Pepper says emerging markets should provide annual sales of $7bn-$8bn towards the company's $35bn goal.

"Ten years ago we were able to reach only 1bn consumers: now we are able to reach 4.5bn," he says.

"I think we often don't stop to consider the significance of that."

The third strategy Procter & Gamble aims to pursue is to build new global businesses out of company products that now sell mainly in the North American market.

The main ones are paper tissue and towels, salty snacks, and healthcare, including pharmaceuticals.

Mr Pepper says the paper tissue and towel market was worth $24bn a year worldwide, almost equal to laundry products and 2¼ times the size of nappies: yet it was still underdeveloped in much of the world.

Similarly, the world market for snacks was $32bn a year at retail, yet Procter & Gamble's share is just 2 per cent.

Combined with an innovation effort to accelerate the introduction of new brands and categories, Mr Pepper says new businesses are expected to contribute an extra $12bn a year in sales over the next decade, so bringing the total to $35bn.

Mr Pepper warns that the "building block" estimates are approximate and depend on many assumptions, none of which would prove precisely correct.

"But they do demonstrate the feasibility of what we are setting out to do. We clearly have more opportunities ahead of us than at any moment in this company's history."

Richard Tomkins

McDonald's forced to reconsider US strategy

By Richard Tomkins in New York

McDonald's, the US fast food chain, has been forced into a humiliating about-turn over its 55-cent hamburger promotion, because of poor sales and growing signs of revolt among the franchisees who run most of its US restaurants.

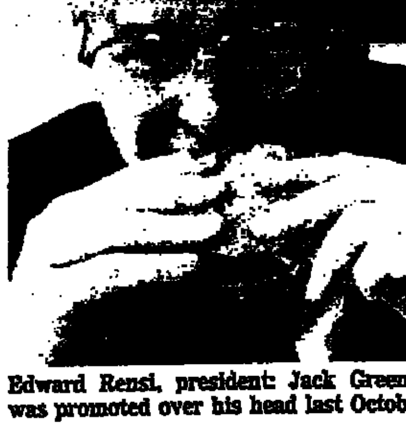
The promotion is likely to be remembered as one of the worst marketing blunders in recent US business history, having been launched with a big fanfare only a few weeks ago.

The decision to back away from the campaign leaves McDonald's without a strategy to counter sluggish domestic sales caused by competition from other fast food companies in the US market – notably Burger King, a unit of Grand Metropolitan of the UK.

McDonald's introduced the 55-cent burger strategy in April as part of Campaign 55, a promotion named after Mr Ray Kroc's opening of the first McDonald's restaurant in 1955. The campaign was the first to be introduced by Mr Jack Greenberg, previously chief financial officer, who was appointed to the newly created job of chairman of McDonald's USA last October over the head of Mr Edward Rensi, president and chief executive.

Customers were offered the chance to buy selected menu items such as the $1.90 Big Mac at a heavily discounted price of 55 cents, but only if they bought a serving of fries and a drink at regular prices.

Critics said customers were confused by the strings attached to the deal, especially in the light of reports that some franchisees were quietly raising the prices of drinks and fries. Customers also found that the promotion offered insignificant savings over the cost of existing cut-price combination meals.



Edward Rensi, president: Jack Greenberg was promoted over his head last October

McDonald's said the promotion would be retained for breakfast items, where it had proved more successful, but would be phased out for main menu items. Mr Richard Starrman, a senior vice president, said customer response in the first six weeks of the lunch and dinner component of the value initiative was "not up to our expectations".

Mr Mitchell Speiser, analyst at Lehman Brothers, said he was dropping his "buy" rating on McDonald's stock. He said the company's international growth would be unlikely to compensate for weakness on the US side while the company formulated a new domestic strategy. In early trading the company's shares were $⅞ down at $48¼.

Continental signals fresh costs drive

By Graham Bowley in Frankfurt

Continental, the German tyre manufacturer, yesterday signalled possible further moves to shift production outside Germany and western Europe as it announced a 47 per cent rise in pre-tax profits in the first five months of this year.

Mr Hubertus von Grünberg, chairman, hailed the improvement as fruits of the company's restructuring, which has already seen it shift some production from expensive regions in Europe and the US to cheaper areas such as the Czech Republic and Portugal.

"It is our aim, as I have said, to have 40 per cent of our production supply in such low cost places," he said. The company was working to forge stronger links with markets in south-east Asia, the former Soviet Union, eastern Europe and South America. It closed its Dublin plant last year.

Continental said sales in the first five months of 1997 were DM4.4bn ($2.55bn), 2.3 per cent higher than in the same period last year.

Mr von Grünberg said he expected sales in 1997 to grow about 5 per cent to DM11bn. Pre-tax profits in the first five months were DM185m.

"The first five months of 1997 show we can continue and increase further the good developments of 1996 in the current year," he said.

The market reacted positively to the results, with Continental shares rising about DM1 to DM40.50, before closing at the end of electronic trading at DM39.

Continental said General Tyre, its US unit, had started the year especially well. It said its passenger tyre division had recorded growth but that its truck tyre arm was still struggling.

Mr von Grünberg said he expected profits to increase significantly this year, helped by progress in General Tyre, in ContiTech, the technical products arm, and in its passenger car tyre division.

The move to shift production to a lower-cost region would be the latest example of a German company moving production abroad to avoid high German labour costs and to take advantage of more flexible working practices.

Several big German companies, including Volkswagen and Daimler-Benz, have set up production in areas such as the US and eastern Europe.

It would also be the latest part of Continental's cost-cutting drive and wider restructuring over the past few years, which has seen its workforce cut by about 20 per cent.

The group might close one of its three European commercial tyre plants – in Germany, Belgium and Austria.

Swedish exchange merger plans collapse

By Greg McIvor in Stockholm

A planned merger between the Stockholm Stock Exchange and OM, the Swedish derivatives exchange, to create a unified Swedish equities and derivatives market collapsed yesterday after a group of the stock exchange's shareholders blocked the deal.

Svenska Handelsbanken, Nordbanken, Swedbank and Föreningsbanken, leading Swedish banks which together hold a 20 per cent stake in the stock exchange, were unhappy that the new bourse would have been dominated by Sweden's Wallenberg industrial empire.

Investor, the main Wallenberg investment vehicle, is the biggest shareholder in OM and controls Skandinaviska Enskilda Banken, another large bank. In turn, OM is the stock exchange's biggest shareholder with a 21 per cent stake.

Wallenberg interests would have held about 24 per cent of the merged group, more than any other single shareholder. The group's policy is to be the dominant owner of companies in which it invests. The family controls companies which together account for some 40 per cent of the total market capitalisation of the Stockholm exchange.

The failure, after 12 months of negotiations, is a stinging rebuff for the bourse's management. It had portrayed the deal as important for Stockholm to meet growing international competition and the challenge of European monetary union.

Mr Bo Mattsson, head of Swedbank Securities, said: "We felt, along with the other banks, that the foreseen ownership structure would not be beneficial to all market actors."

He stressed that the objection was not against Wallenberg influence per se, but against the "sheer size of [their] ownership".

The banks made their objections public in March. Apart from the ownership issue, they feared a conflict between the merged group's status as a listed company and its responsibility for regulating the market.

Mr Bengt Ryden, Stockholm Stock Exchange president, said the two managements remained convinced of the potential advantages. "But we have found that some of the stock exchange's major owners do not think the benefits are large enough," he said.

Mr Per Larsson, OM chief executive, said the two parties would continue exploring possible collaboration and he did not rule out a future merger. The "technical composition" of the failed proposals could be reappraised, he said.

A merger, which would have taken the form of a takeover of the stock exchange by OM, would have created the dominant exchange in the Nordic region.

The Swedish government, which holds a 7 per cent stake in the stock exchange, and the central bank had applauded the creation of fully integrated trading infrastructure spanning equities, bonds, options and futures. Both saw rationalisation as a way for Stockholm to advance its status as the Nordic financial capital and to attract greater liquidity to the market.

Unisource moves to restore momentum

Analysts remain doubtful about the alliance's ability to shake off Telefónica's recent defection

Unisource, an alliance of Dutch, Swiss and Swedish telecommunications operators, this week moved to stem suspicions that it might fall apart after the defection last month of one of its key members.

It announced a new, $2bn company through which its members – PTT Telecom of the Netherlands, the Swiss national operator, and Telia of Sweden – intend to pool their wholesale transmission services to other operators.

The plan, however, did little to dispel analysts' concerns that the alliance is in trouble following the recent defection of Spain's Telefónica.

Mr Andrew Harrington, senior telecoms analyst for investment bankers Salomon Brothers in London, reflects the view of many in the industry when he says: "There is a lot of scepticism about Unisource. This looks like a defensive move designed to mimic Concert. But it is a weak response."

Concert is a joint venture between British Telecommunications of the UK and MCI of the US, which was designed to fight for a significant share of the telecoms traffic of multinational companies.

There are three principal alliances globally battling for such business: Concert, now joined by Telefónica; Global One, which is owned by Sprint of the US, Deutsche Telekom and France Telecom; and finally WorldPartners, which links Unisource and AT&T of the US.

The latest Unisource deal involves the joining together of the international carrier divisions of PTT Telecom, Swiss Telecom and Telia into a "new" company called Unisource Carrier Services.

James Cosgrove: 'This is going to be a scale and cost game'

The new company is expected to have initial revenues of $2bn and about 900 employees across Europe.

The aim is to cut costs and achieve economies of scale through the consolidation of physical assets.

Eventually, the new company hopes to provide a range of new and advanced telecoms services.

However, it will need approval from the European Union competition authorities in Brussels, but Mr Paul Smits, Unisource chairman, is confident that this will be forthcoming. "We are pretty confident," he said yesterday. "We will be a substantial player, but not a dominant one."

Mr Stig Johansson, president of the new company, said: "By further strengthening our carrier business, we are ideally positioned to take maximum advantages of the opportunities the liberalised European telecoms market will present."

Outsiders could be forgiven for a measure of confusion over the new development.

Unisource Carrier Services already exists, under Mr Johansson's leadership. It acts as the agent for the three Unisource shareholders in negotiations with other operators which want to transmit international traffic on the Unisource network.

However, UCS's biggest customer is and will continue to be AT&T-Unisource, which was formed from the combination of the European data and business voice services of the two partners.

Mr James Cosgrove, chief executive of AT&T-Unisource, said the merged operation would be able to provide the company with advanced services at lower prices.

"This is going to be a scale game and a cost game," he said, alluding to the opening of the European telecommunications market to full competition on January 1 next year.

He said his prices were determined by two factors: the cost of carriage and the cost of local access to customers.

The new UCS would provide lower cost carriage, while competition would drive down local access prices after liberalisation, he said.

The new deal, moreover, ties the three shareholders together more tightly.

The Unisource alliance has looked increasingly shaky in recent months, a perception underlined by the defection last month of Telefónica.

Mr Tim Hirst, telecoms analyst with Dresdner Kleinwort Benson in London, suggests that Stet, the Italian group, could be interested in joining AT&T in the Unisource consortium as the result of a complex series of partnership realignments.

Mr Smits of Unisource, however, says the group is not necessarily looking for a fourth partner.

A new shareholder, he says, "would have fully to believe in the overall scheme and it is a daring one".

Alan Cane

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British Energy reports £200m reversal of fortune

By Simon Holberton

British Energy, the nuclear utility privatised last July, yesterday unveiled a more than £200m ($326m) turnaround in profitability when it announced profits of £61m for the year to March 31 compared with a loss of £155m previously.

British Energy also removed a major uncertainty surrounding its future when it announced the signing of a contract with British Nuclear Fuels, for the reprocessing and storage of spent nuclear fuel.

The £1.5bn contract for a third of all spent fuel from the company's seven advanced gas-cooled reactors means that the company has achieved certainty over the future cost of its nuclear waste.

This would enable it to write back provisions made for alternative fuel processing. These write backs would add £10m to pre-tax profits from this year.

Investors reacted favourably to the news, marking up the company's company's shares by 9p to 148p.

Mr Hawley also said the company was close to the formation of a joint venture with Pennsylvania Electric Company.

This would seek to buy poor performing nuclear power stations in the US and turn them around, much in the same way British Energy has been able to do with its UK stations.

Mr John Robb, chairman, said the company had achieved "significant improvements" in its financial performance, "delivering a profit for the first time".

However, in a meeting with analysts he said the company had a long way to go to satisfy him. "We are only marginally profitable and we have a long way to go to where we want to be," he said.

Mr Robb told analysts that a strong cash flow was one thing, but he wanted to see British Energy move as quickly as possible to achieving a dividend pay-out covered by profits.

The company declared a final dividend of 9.1p which, made 13.7p for the year. The dividend will absorb £96m, while post-tax profits amounted to only £36m.

Profits were struck on turnover up 13 per cent to £1.87bn on the back of a very strong performance by the company's eight nuclear power stations.

Brendan Corr

David Farrar: warned of impact of rising raw material prices

Allied Colloids advances to £10m but warns

By Roger Taylor

Allied Colloids cautioned yesterday that higher raw material costs and the strength of sterling could hit the UK speciality chemicals group's profits this year by up to £10m ($16.3m).

Analysts cut their 1997 forecast from about £80m to £76m and the shares closed 1½p lower at 128½p.

The caution emerged as Mr David Farrar, chief executive, revealed a 30 per cent rise in pre-tax profits to £54.6m (£42.1m) last year, boosted by the acquisition of CPS of the US, together with improved group margins.

Mr Farrar said lower material prices and increased efficiency had pushed gross margins up from 36 to 39 per cent. Turnover for the year to March 31 rose to £438m (£393m).

CPS, the US chemicals company bought in January for £230m, contributed profits of £3.9m after interest in the last three months, from sales of £22m.

Mr Farrar said the integration of the two companies had gone well. CPS now supplied 20 per cent of its output to Allied Colloids, producing savings of $4.4m (£2.69m) a year. He was aiming to expand European sales of CPS products, some of which had previously been marketed in the US only, and to increase CPS profits from £6m to £40m over the next five years.

Allied Colloids' largest divisions achieved strong sales growth, with pollution control up 13 per cent, paper up 11 per cent and mineral processing up 5.9 per cent. Other divisions were weaker. In particular, textiles sales fell 7.6 per cent. Mr Farrar said it needed to refocus its sales effort away from weak markets in Europe towards Asia and Latin America.

Following last year's 2-for-7 rights issue at 118p to fund the CPS acquisition, earnings per share were up 21 per cent at 6.76p. The dividend is increased 10 per cent to 3.15p (2.86p) with a recommended final payment of 2.51p (2.28p).

Valmet to buy Atlas for £86.2m

By David Blackwell in London and Greg McIvor in Stockholm

Atlas Converting Equipment, the packaging equipment maker, is to be bought for £86.2m ($140.5m) by the world's largest paper machinery maker.

The board is recommending the offer of 815p a share – a 26 per cent premium to Tuesday's close – from Valmet of Finland.

Mr Chris Rogers, chairman of Atlas, said that he and three other founders representing 26 per cent of the shares had given irrevocable undertakings to accept. "There is no-one in the UK or worldwide better than Valmet – this should safeguard the business."

About 90 per net of Atlas's production is exported – 45 per cent to south-east Asia.

Valmet said the acquisition would enable it to offer a full range of products to the packaging industry worldwide. Mr Matti Sundberg, chief executive, said there was little overlap between operations.

The price represents an exit multiple of 14 times, which one London analyst covering Atlas believed should have been higher. But analysts following Valmet were not impressed; the shares closed FM3.20 (20p) off at FM92.30 in Helsinki.

Mr Colin Gibson, analyst at UBS in London, said it was unclear how Atlas fitted with Valmet's heavy bias in paper machinery.

Atlas has been advised by Hoare Govett, and Valmet by NM Rothschild. Brokers to the offer are Cazenove.

Meanwhile, Valmet yesterday reported first-quarter pre-tax profits up from FM328m to FM548m. The increase was due to FM226m in one-off gains from asset sales. Operating profits slipped from FM314m to FM292m. Turnover was up slightly, at FM3.7bn (FM3.8bn). Earnings per share were FM3.00 (FM3.06).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Colloids	Yr to Mar 31	437.7	(393.4)	54.6	(42.1)	6.76†	(5.57⁑)	2.51	Aug 22	2.28	3.15	2.86
Barcom	6 mths to Mar 31	27.2	(21.2)	1.3	(0.908)	2.2†	(1.7)	0.5	Aug 14	0.4	-	1.2
Blick	6 mths to Mar 31	37	(29.9)	6.15	(7)	13.54	(16.4)	4.5	Sept 3	4.5	-	14
British Energy ‡	Yr to Mar 31	1,870	(1,654)	61	(155L)	5.1	(22.1L)	9.1	July 28	-	13.7	-
Caffyns	yr to Mar 31	165.6	(160.5)	1.3	(0.629)	29.7	(12.6)	7.5	July 22	6.5	12.5	11.5
Campbell & Arm	Yr to Jan 31 ☆	25.8	(72.2)	2.91L♠	(7.98L♠)	7.9L†	(54.6L)	nil	-	nil	nil	nil
Close Bros Venture	Yr to Mar 31	-	(-)	1.43	(-)	4.2	(-)	2.4	June 30	-	4	-
French	6 mths to Mar 31	11.9	(7.95)	0.485	(0.3)	2.48	(1.55)	1.575	Aug 18	1.5	-	3.75
Greencore ‡	6 mths to Mar 28	216.2	(230.4)	21.7♠	(25.5)	9.4†	(11.8)	2.6	July 28	2.3	-	6.8
Heal's	28 wks to Mar 29	13.2	(10.8)	0.876♠	(1.22)	3.38	(7.34)	-	-	-	-	-
Lookers	6 mths to Mar 31	302	(213)	4.01	(3.16)	6.2†	(6.7)	2.6	Sept 30	2.6	-	8
NFC	6 mths to Mar 31✦	1,173	(1,178)	53.3♥	(45.4♥)	4.6	(3.9)	2.5	Aug 11	2.5	-	7.1
Powerscreen Intl	Yr to Mar 31	304.9	(261.3)	42.4	(36)	36.1	(30.5)	7.4	Sept 4	6.7	10.2	9.2
Readicut Intl	Yr to Mar 31	285.8	(234.3)	10	(9.27♠)	3.28	(3.15)	1.95	Aug 11	2.81	2.58	3.44
Sheaks & McEwen	Yr to Mar 29	144.1	(114.2)	24♥	(20.4♠)	7.7	(6.6)	2.6	Aug 4	2.4	3.9	3.6
Southern Elec	Yr to Mar 31	1,767	(1,598)	255.5♥	(625.1♥)	39.1‡	(98.1)	15.05	Oct 7	27	21.5	18.75§§
Staveley Inds	Yr to Mar 29	399.6	(372.9)	16.6♠	(23.2♠)	9.8	(16.4)	6.5	Aug 5	6.7	9	9
Tunstall	6 mths to Mar 31	41.3	(39.3)	2.86♠	(4.18)	5.6	(8.5)	1.85	July 18	1.68	-	5
Warner Estate	6 mths to Mar 31	12.3	(7.2)	4.82	(4.86)	7.1†	(7.87)	4.15	Oct 3	4	-	12.2
Vibroplant	Yr to Mar 31	36.8	(64.4)	2.88L♠	(2.38)	4.2L	(4.67L)	2.65	Oct 1	2.65	4.05	4.05
Young and Co's	Yr to Mar 29	75.8	(73.9)	5.42	(5.23)	28.96	(26.7)	7.85	July 17	7.85	15.2	15.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Enterprise	Yr to Apr 30	294.7	(245.7)	2.6	(2.06)	10.9	(8.7)	7.1	-	5.6	9.1	7.2
Fleming Euro Fled	Yr to Mar 31	150.4	(136.2)	0.167L	(0.236L)	0.31L	(0.44L)	nil	-	nil	nil	nil
Schroder AsiaPacfc	6 mths to Mar 31	103.66	(110.6#)	0.274L	(0.71)	0.2L	(0.05)	-	-	-	-	0.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ⁑Restated for rights issue. ΦAim stock. ☆Comparatives for 13 months. ✦Comparatives restated from 28 weeks. §§Excludes special and adjusted for share split. ‡ Pro forma figures. #At September 30 1996.

NFC announces disposals totalling £151m

By Charis Gresser

NFC, the logistics and transport group, said yesterday it was now "out of the woods", as it announced disposals totalling £151m ($246m) and reported a rise in interim pre-tax profits.

The company sold its Lynx parcels business for £26m, its BRS car lease business for £120m, and its Pickfords US and Canada for £5m.

Sir Christopher Bland, chairman, said the company had exited from two businesses which were not core, but had reorganised its portfolio from a "position of strength".

He said: "Yes we are out of the woods. We are happy with the underlying performance of the company, and we are confident it will continue in the second half."

Lynx has been sold to its management team backed by NatWest Ventures. BRS Car Lease is being sold to GE Capital of the US. The disposals are expected to leave the company's balance sheet virtually ungeared by the year-end. The company will receive net cash proceeds of £145m from the disposals and will book an exceptional profit of £20m in the second half of 1996-97.

Sir Christopher said this would free up cash, potentially up to £200m to invest in further acquisitions or organic growth. Asia and North America would be favourite places to invest.

The company reported a 13 per cent rise in interim profits before tax and exceptionals to £50.1m on turnover of £1.17bn (£1.17bn). A £3.2m profit on property disposal gave a pre-tax figure of £53.3m (£45.4m).

The company announced a further £49m exceptional charge for reorganisation and a £20m exceptional profit in disposals which it said would be accounted for in the second half. The reorganisation is expected to lead to some job losses, up to 600, out of a total workforce of some 40,000.

The £39m cash cost of the reorganisation is expected to be paid back in two years, but some analysts questioned this and did not include the boost in their forecasts for the year.

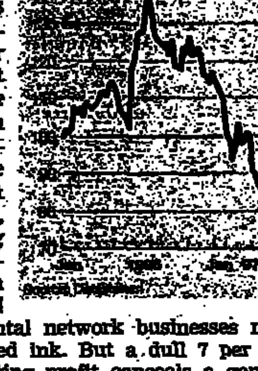
The disposals, which contributed £15.5m of operating profits in 1995-96, are expected to dilute earnings growth in the second half of this year. Analysts cut their forecasts slightly by £5m to £115m for the full year.

The company reported a 12 per cent rise in operating profits in the UK to £39.1m, while North America rose 7 per cent to £9.8m. In continental Europe, losses worsened by 18 per cent to £5.3m.

The interim dividend is maintained at 2.5p and the full-year pay-out is also expected to be unchanged. Earnings per share rose 10 per cent to 4.3p. The shares closed up ½p at 128½p.

LEX COMMENT

NFC



NFC is supposed to be a recovery story, yet the shares have underperformed the market by 30 per cent since Sir Christopher Bland took over as chairman. The restructuring never stops and Sir Christopher's target – that the dividend should be twice covered – looks an ever more distant prospect. The fact that the management is plainly not twiddling its thumbs, therefore, is if anything rather depressing. Nevertheless, progress has been real. True, the deep-seated problems of the Continental network businesses mean they continue to spurt red ink. But a dull 7 per cent increase in overall operating profit conceals a genuine improvement in the performance of the main UK operations, where revenues may not be growing but margins certainly are. Consider that NFC recently liberated £32m in cash by cancelling just three non-profitable contracts, and it is easy to see why.

Meanwhile, selling a clutch of non-core businesses has vastly strengthened the company's financial base. That, though, creates uncertainties of its own: NFC is enthusiastic about using its new balance sheet strength to expand. Naturally such decisions will deserve to be judged on their merits. But investors, long battered by NFC's problems and its tendency to optimism, are bound to require plenty of convincing. That is one reason why the real value attractions of NFC shares – at a 20 per cent prospective price/earnings discount to the market – will probably take time to bear fruit.

Southern Electric 'can withstand windfall tax'

By Simon Holberton

Southern Electric, the Maidenhead-based electricity company, has the balance-sheet strength to withstand a windfall tax and return cash to shareholders, Mr Ian Marchant, finance director indicated yesterday.

He acknowledged that the company's gearing – at 25 per cent – was "not efficient" and said the company would review the situation after it had seen the government proposals for a windfall levy.

Southern has made no provision for the levy. However, analysts expect that it might have to pay about £100m ($163m) if the government sought to raise £5bn in total.

"Now is not the time to put your head above the parapet," Mr Marchant said. "But we are committed to using the balance sheet to maximise shareholder value."

Southern's undertaking impressed investors. The company's share price rose 11p to 409½p, after it announced a 9.7 per cent decline in annual pre-tax profits to £255.5m in the year to March 31. Turnover was up by 2.9 per cent at £1.77bn.

The recommended final dividend of 15.05p makes a total for the year of 21.5p – up 14.7 per cent. Earnings per share slipped 13.6 per cent to 37.5p.

Mr Marchant said the company planned to increase dividends in real terms by between 5 and 8 per cent a year until 2000 – when it faces a fresh review of its distribution business by Offer, the industry regulator.

Southern also disclosed that it planned a £100m investment in small-scale gas-fired power stations. It is building two 40MW open-cycle gas plants and plans to build another five.

On a divisional basis: distribution operating profits were down 13 per cent at £200.3m; electricity supply profits were up 10.5 per cent at £22.2m; generation profits up 35.6 per cent at £36.2m; and contracting profits up 9.7 per cent at £15.8m.

Greencore warns as sales slide

By John Murray Brown in Dublin

Greencore, the Irish sugar and maltings company, issued a profits warning yesterday, as it announced a 15 per cent drop in interim pre-tax profits from I£25.5m ($37.8m) to I£21.7m.

The company, which is challenging a Ecu8.8m ($10m) European Commission fine for the alleged rigging of the sugar market in the early 1990s, warned that "several abnormal issues" had hit sales since February and the year-end results would be "somewhat lower than last year".

Greencore has said it is lodging an appeal against the fine with the European Court.

Mr Bernie Cahill, chairman, said that the company had suffered the ill-effects of an eight-week strike in its sugar division.

In addition, there had been a dispute with sugar beet growers, which had resulted in the boycott of Greencore fertiliser products.

Turnover was 6 per cent lower at I£216.2m (I£230.4m) for the six months to March 28, hit by a 9 per cent decline in sugar sales, and a 12 per cent drop in feeds sales and other agribusiness.

Mr David Dilger, chief executive, described it as "the worst year in the Irish grain market anyone can remember". He said that high cereals prices had been depressing demand.

The company was affected by the BSE crisis, and three Irish "green pound" revaluations, which lowered the local value of European Union support, and were triggered by the appreciation of the Irish pound against the D-Mark.

Profits in associates rose 63 per cent from I£2m to I£3.3m boosted by a first time contribution from its 27 per cent stake in Imperial Holly, a family controlled Texas-based sugar company.

Operating profits before exceptionals were up 8 per cent at I£28.1m (I£26m), helped by lower sales and marketing costs.

The company incurred an exceptional charge of I£5.8m, covering the cost of the EU fine together with the estimated costs of an appeal and registered an exceptional gain of I£1.17m on the sale of two subsidiaries.

The directors have recommended a 13 per cent dividend increase to 2.6p to be paid out of earnings per share, adjusted for exceptionals, of 12.5p (11.8p).

Zeneca's fungicide gains US approval

By Roger Taylor

Zeneca, the pharmaceuticals and agrochemicals group, has received its first US approval for the use on crops of its new fungicide Abound, developed from natural fungicides found in mushrooms.

The Environmental Protection Agency of the US has registered Abound for use on grapes, pecans, peanuts, peaches and bananas, and has designated it a reduced risk pesticide because of its more favourable impact on the environment.

Zeneca said the registration was important both for sales in the US and for sales to countries which export to the US. It said it was now applying for approval on a much wider range of drugs.

Analysts have forecast peak sales for Abound of $500m, which would make it one of the biggest selling products for Zeneca Agrochemicals which last year had turnover of about £1.6bn ($2.6bn).

Zeneca said it hoped to achieve a mature level of sales in about five years time. Its shares closed up 27½p at £18.45.

Abound is based on naturally occurring fungicides, called strobilurins, found in some species of wood mushrooms which use it to deter other fungi from invading their patch. It is less harmful to non-targeted wildlife, such as insects and birds, than other fungicides and breaks down more quickly.

Abound has already been approved for use in some crops in Europe and bananas in Central America. The company said it had been selling well in these markets.

REMINDER
NOTICE OF EARLY REDEMPTION
To the Holders of
Investor International Placements Limited
(the "Issuer")
ECU200,000,000
7 1/4 % Secured Exchangeable Bonds due 2001
(the "Bonds")

NOTICE IS HEREBY GIVEN that pursuant to Condition 8(B) of the Bonds all of the outstanding Bonds will be redeemed by the Issuer on 30 June, 1997 (the "Redemption Date"). The Bonds will be redeemed at their Principal Amount together with the accrued interest to the Redemption Date. Payment of principal and interest will be made against presentation and surrender of the Bonds with all unmatured Coupons appertaining thereto at the specified office of any of the Paying Agents listed below. Payments will be made by an ECU cheque drawn on or by transfer to an ECU account maintained by the payee with a bank in Brussels.

In accordance with Condition 7 of the Bonds, Bondholders can exchange their Bonds for Series B shares in Investor AB any time up to and including 11 June, 1997 by giving notice in accordance with Condition 7. In the event it receives a notice of exchange, the Company intends to exercise its option to pay the Bondholders the cash equivalent amount.

Principal Paying Agent
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Paying Agents

Banque General du Luxembourg S.A. 50 Avenue J.F. Kennedy L-2951 Luxembourg	Morgan Guaranty Trust Company of New York Avenue des Arts, 35 B-1040 Brussels

Investor International Placements Limited
By: Morgan Guaranty Trust Company of New York
as Principal Paying Agent
Dated: June 5, 1997

Instituto de Crédito Oficial
USD 450,000,000
Statutorily Guaranteed Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from June 5, 1997 to December 3, 1997 the Notes will carry an Interest Rate of 6.0265625 % per annum

The Coupon Amount payable on the relevant Interest Payment Date, December 3, 1997 will be USD 303.00 per USD 10,000 principal amount of Note and USD 3,030.02 per USD 100,000 principal amount of Note.

The Agent Bank
Kredietbank S.A. Luxembourgeoise

Profit-taking hits prices in Europe

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

Europe's bond markets were buffeted by profit-taking yesterday, but analysts said different forces were at work in separate markets. US Treasuries drifted lower at mid-session, ahead of important data tomorrow.

Mr Graham McDevitt, bond strategist at Paribas Capital Markets, said European markets remained uncertain about monetary union.

GERMAN BUNDS were the only bonds to end the day fractionally higher. The September bund future settled at 100.44, up 0.03 on Tuesday's close.

Mr McDevitt said the market had picked up on Tuesday because investors had been caught short when the German government and the Bundesbank announced a deal on gold revaluation. "There was a technical squeeze," he said.

Yesterday, those positions were being unwound as the market drifted down, but it recovered most of the ground in the afternoon. The market was also nervous about May unemployment figures due tomorrow.

According to a German newspaper report, May data would reveal an unadjusted rise of 91,000 people out of work.

On a seasonally adjusted basis, that translated into a monthly jump of 140,000, analysts said.

FRENCH OATs were hit by news that the Communists could take up to three ministries in the new French cabinet.

"The Communists' inclusion in the cabinet suggests France could pay less respect to the Emu convergence criteria, something that weighed on French markets yesterday judging by its relative underperformance," said Mr David Brown, chief European economist at Bear Stearns.

The June notional future settled at 129.14, down from 129.40. The spread of bunds over OATs narrowed again, falling from 12 basis points to 8 points.

High yielding markets such as Italy and Spain were especially sensitive to speculation that the planned single European currency could be delayed by perhaps a year.

ITALIAN BTPs suffered most. The September BTP future fell 0.32 to 130.48, while the yield spread of BTPs over bunds widened 5 basis points to 138 points.

UK GILTS languished as investors focused on the possibility of an interest rate rise tomorrow.

Comments by Mr Eddie George, the governor of the Bank of England, that sterling was too high, did not help. The September long gilt future fell $\frac{3}{32}$ to 113⅜.

US TREASURIES drifted lower at mid-session as the market digested news of possible extra supply and positions were squared ahead of the release of important economic data.

The benchmark 30-year bond fell $\frac{5}{32}$ to 96¾, yielding 6.867 per cent. However, this represented a recovery from 96⅝ reached earlier in the session.

Traders said investors were consolidating their positions in the run-up to the release of important unemployment data on Friday.

Some analysts believe recent price rises have been overdone given the uncertainty surrounding the figures. Prices have risen this week after breaching the 7 per cent yield barrier.

Fears about the impact of extra supply from the Brady and corporate bond markets had helped depress Treasury prices.

In the morning, Brazil announced the sale of $3bn in global bonds, sparking fears that the zero-coupon Treasuries used as collateral would be sold. At the same time, Ford and Rheinische Hypothekenbank priced big eurobond issues.

The market appeared to pay less attention to April factory orders, which were stronger than expected. Orders rose 1.2 per cent, above consensus forecasts of 0.6 per cent. However, the indicator is generally volatile and is therefore often given less weight in the market than others.

There was little activity at the low end of the curve yesterday. The two-year note was unchanged at 100$\frac{1}{32}$, yielding 6.182 per cent while the 10-year bond also stayed at 100, yielding 6.611 per cent.

Brazil's $3bn 30-year global well received

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Brazil's record $3bn eurobond issue yesterday helped push primary market activity in the dollar sector above Tuesday's $5bn, the highest amount raised in a single day this year.

Investors responded enthusiastically to Brazil's debut 30-year global bond, arranged by J.P.Morgan and Goldman Sachs. Cash offers reached $16bn, although syndicate officials admitted investors might have been anticipating much-reduced allocations.

However, at more than $2bn, swap offers on the Brady bonds exceeded most expectations. The bond, priced to yield 395 basis points over 30-year Treasuries, tightened by more than 20 basis points, according to officials.

Mr Chip Seelig, head of emerging markets debt at Goldman Sachs in New York, said the deal would save Brazil $160m to $220m in debt costs.

Although the global bond offers a slightly higher spread than the retired Bradys, Brazil would make gains from the release of the US Treasury bonds which acted as collateral.

Two deals announced on Tuesday were priced yesterday. **RHEINISCHE HYPOTHEKENBANK** offered investors a yield spread of 23 basis points over Treasuries on its $750m issue, the first dollar-denominated Pfandbrief. The deal, led by Commerzbank and Morgan Stanley, is backed by loans to public sector borrowers.

"The domestic Pfandbrief market in Germany is one of the largest bond markets in the world," Morgan Stanley said. "This deal extends the growth of this sector."

FORD priced its 10-year $1bn deal with a spread of 59 basis points, slightly below the indicated 60 points. "There was strong demand from investors wanting more yield than was available in the market," said Merrill Lynch, the lead manager.

CESDF – the Council of Europe Social Development Fund – launched a $250m one-year issue aimed at Japanese retail investors. The deal, led by Nomura, follows two Samurai bonds from the borrower last year.

CREDIT SUISSE FIRST BOSTON issued the first notes whose performance is indexed to the FTSE Eurotop 100, the recently-launched index of the most actively traded shares on Europe's nine largest stock exchanges.

The $35m three-year issue, launched at par, will be redeemed with a premium equal to the percentage rise of the index in the next three years. A minimum redemption price of 107 is guaranteed, should the performance of the index fall short of this level.

● Venezuela will soon be returning to the international capital markets with a $350m issue, writes Raymond Colitt in Caracas.

Traders expect the issue, lead managed by ING Barings, to be priced to yield about 300 basis points over US Treasuries.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Federative Rep of Brazil(s)	3bn	10⅛#	93.234R	May 2027	1.125R	+395(6⅝%-26)	Goldman/JP Morgan
PMT, 1997-3, Class A(a)★‡	570.5	(a1)	(a1)	May 2001	-	-	Merrill Lynch
GECC	350	7.00	99.334R	Jun 2010	0.375R	+33(6⅝%May07)	Goldman Sachs Intl
Merrill Lynch & Co	300	7.00	99.376R	Jun 2004	0.35R	+52(6½%May02)	Merrill Lynch Intl
Council of Europe★	250	5.20#	100.00	Jun 1998	0.50	-	Nomura International
Gulf International Bank(b)‡	200	(b1)	99.89R	Jul 2002	0.25R	-	Chase Manhattan Intl
Sigma Finance	200	6.50	99.868R	Jul 2000	0.1875R	+12(6⅝%May00)	Salomon Brothers Intl
Chrysler Financial Corp	200	6.625	99.811R	Jun 2000	0.225R	+25(6⅝%May00)	BNP, London Branch
Yieh Phui Enterprise(c)§	75	1.00	100.00	Jun 2007	-	-	Bankers Trust Intl
STERLING							
World Bank★	200	6.40#	99.10	Jun 2000	0.20	-	Yamaichi Intl(Europe)
ITALIAN LIRE							
European Inv'ment Bank(d)	250bn	6.20	100.43	Mar 2002	1.75	-	BNL
Danone Finance‡	200bn	(e)	99.90R	Jul 2002	0.10R	-	Banco MPS
Bayerische Hypo(f,l)	100bn	7.10	101.575	Jun 2002	1.875	-	BNL/Cariplo/IMI Lux
NEW ZEALAND DOLLARS							
WestLB Finance Curaçao	100	7.25	100.72	Jul 2001	1.75	-	Hambros Bank
RAND							
World Bank	500	15.375	100.05R	Jun 1998	0.10R	-	Credito/Toronto Dominion

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Providian Master Trust. Legal maturity: 15/12/05. a1) Priced later: 1-mth Libor +11bp area. a2) Class B: $68.5m, 15/5/01, 1-mth Libor +30-32bp area. b) Callable on Jul 00 & 01 at par. b1) 3-mth Libor +32½bp. c) Conversion price: NT$38.38. FX: 27.891 NT$/US$. Redemption price: 200.19%. Puttable on 18/6/02 at 140.65% and on 18/6/04 at 161.78%. Callable from 18/6/00 at accreting value with 4 yrs of 140% protection and 150% thereafter. Downward revision clause after 1 & 2 yrs. min 80%. Greenshoe: $15m. d) Fungible with L650bn. Plus 124 days accrued. e) 6-mth Libor +36bp; max increases of 36bp. f) L200bn launched 13/5/97 was increased to L300bn. Callable on 17/6/99 at par. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Telefónica plans convertible bond

Telefónica plans to raise more than $500m in a convertible eurobond issue that is expected to finance ambitious expansion plans by the Spanish telecoms group. The move follows the group's strategic agreement with Concert, the alliance of British Telecommunications and MCI of the US.

The issue, which will dwarf previous capital-raising bids by Spanish companies, is likely to be handled by Morgan Stanley of the US and Union Bank of Switzerland. Both merchant banks were yesterday appointed advisers to the deal, and will report on its possible structure towards the end of this month.

The bonds will not carry preferential rights for existing shareholders, and will therefore help rebalance a shareholder structure that is weighted towards domestic retail equity holders. International institutions were crowded out of Telefónica's privatisation in February, when the bulk of the Pta607bn ($4.1bn) offering was placed with individual Spanish investors.

Under the terms of the group's March annual shareholders meeting, the Telefónica board is empowered to raise up to Pta100bn ($680m). The price at which the bonds can be converted into shares must not be less than the average trading price of Telefónica's shares during the 10 days prior to the start of the issue, and it cannot be more than 50 per cent over this minimum share price.

The conversion price range poses fine-tuning problems for the advisers to the issue, since Telefónica is the dominant blue chip on Madrid's Bolsa and has consistently outperformed the domestic equity market for more than a year. Its share price has risen by some 25 per cent since February, when the government sold its remaining 21 stake in the telecoms group.

Telefónica shares were steady yesterday, confirming analysts' views that there would be no dilution in earnings per share as a result of the issue. "Consensus profits estimates preclude a negative impact on the share price," said Mr Juan Cueto, chief analyst for Madrid brokers Ibersecurities.

Tom Burns, Madrid

IBCA upgrades Greece

IBCA, the European credit rating agency, upgraded Greece's rating for foreign debt from BBB minus to BBB, reflecting recent progress on reducing inflation and the budget deficit. It said the government was "firm in its commitment to continued fiscal consolidation, although its target for a general deficit of 4.2 per cent of GDP this year appears ambitious". The improved rating is also supported by the government's efforts to speed up disbursement of European Union funds for modernising infrastructure, it said.

The agency forecast that Greece's gross foreign debt would rise from 36.3 to 39.1 per cent of GDP this year as more Greek companies borrowed in foreign currency to avoid higher interest rates on drachma loans. Almost 40 per cent of outstanding loans by Greek banks are denominated in foreign currency.

Kerin Hope, Athens

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.9602	-	7.35	7.63	7.87
Austria		5.750	04/07	99.2400	-0.010	5.85	5.97	5.92
Belgium		6.250	03/07	102.4300	+0.030	5.91	6.00	6.05
Canada *		7.250	06/07	105.3700	-0.010	6.51	6.62	6.80
Denmark		8.000	03/06	111.1400	-0.090	6.30	6.40	6.57
France	BTAN	4.750	03/02	100.0775	-0.130	4.73	4.83	4.85
	OAT	5.500	04/07	98.0100	-0.300	5.77	5.83	5.81
Germany Bund		6.000	07/07	101.3900	+0.180	5.81	5.91	5.92
Ireland		8.000	08/06	108.7400	-0.460	6.69	6.70	6.80
Italy		6.750	02/07	97.7200	-0.030	7.08†	7.21	7.52
Japan	No 145	5.500	03/02	116.2022	+0.220	1.82	1.91	1.42
	No 182	3.000	09/05	103.3271	+0.320	2.52	2.69	2.27
Netherlands		5.750	02/07	100.2800	-	5.71	5.81	5.80
Portugal		9.500	02/06	119.8000	+1.300	6.45	6.49	6.82
Spain		7.350	03/07	105.3300	-0.230	6.58	6.65	6.96
Sweden		8.000	08/07	107.2989	-0.150	6.97	7.11	7.35
UK Gilts		7.000	06/02	100-02	-4/32	6.99	7.08	7.33
		7.250	12/07	100-28	-10/32	7.13	7.22	7.67
		9.000	10/08	113-27	-11/32	7.20	7.28	7.76
US Treasury *		6.625	05/07	100-00	+4/32	6.62	6.77	6.94
		6.625	02/27	96-24	+3/32	6.88	7.00	7.14
ECU (French Govt)		7.000	04/06	106.3900	-0.440	6.04	6.13	6.21

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	6.20
Broker loan rate	7¾	Two month	-	Three year	6.34
Fed.funds	5⅞	Three month	5.10	Five year	6.48
Fed.funds at intervention	-	Six month	5.39	10-year	6.62
		One year	5.76	30-year	6.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.48	129.14	-0.26	129.50	129.02	156,109	174,935
Sep	127.88	127.50	-0.28	127.88	127.44	29,170	55,081
Dec	97.30	96.92	-0.28	97.30	97.30	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
125	2.60	-	2.85	0.10	0.31	0.47
126	1.72	2.00	2.20	0.22	0.51	0.71
127	0.96	1.33	1.54	0.47	0.83	1.04
128	0.43	0.79	1.01	0.93	-	1.51
129	0.13	0.41	0.59	1.63	-	2.08

Est. vol. total, Calls 20,312 Puts 48,329. Previous day's open int., Calls 111,234 Puts 131,687.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.52	101.49	+0.04	101.56	101.26	168881	111015
Sep	100.49	100.44	+0.03	100.53	100.21	176413	158848

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
10000	0.77	1.07	1.27	1.24	0.33	0.63	0.83	1.80
10050	0.48	0.79	0.99	1.04	0.54	0.85	1.05	2.10
10100	0.26	0.55	0.76	0.86	0.82	1.11	1.32	2.42

Est. vol. total, Calls 12776 Puts 20918. Previous day's open int., Calls 153028 Puts 157972

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	129.85	129.60	-0.20	129.85	129.47	17869	32960
Sep	130.88	130.48	-0.42	130.88	130.25	56832	73509

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000	-	23.58	-	0
8050	-	23.08	4	0
8100	-	22.58	-	0

Est. vol. total, Calls 4545 Puts 4288. Previous day's open int., Calls 32484 Puts 37206

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.75	115.71	-0.19	115.77	115.45	138,720	88,804
Sep	114.97	114.90	-0.21	114.97	114.66	8,797	20,752

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113-12	113-03	-0-11	113-13	112-26	18322	67509
Sep	113-21	113-12	-0-11	113-22	113-00	61133	153191

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
113	0-60	1-25	1-48	2-15	0-36	1-01	1-24	2-15
114	0-30	0-59	1-14	1-50	1-06	1-35	1-54	2-50
115	0-14	0-36	0-53	1-25	1-54	2-12	2-29	3-25

Est. vol. total, Calls 2310 Puts 850. Previous day's open int., Calls 36814 Puts 21895

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	95.30	94.88	-0.42	95.34	94.74	4,144	6,570
Sep	94.88	94.48	-0.44	94.88	94.48	1,117	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110-14	110-12	-0-03	110-17	110-10	35,971	222,522
Sep	110-03	110-00	-0-03	110-05	109-29	269,682	295,820
Dec	109-20	109-18	-0-04	109-20	109-17	1,643	26,010

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High.	Low	Est. vol	Open int.
Jun	123.83	-	-	124.22	124.10	3305	n/a
Sep	122.47	-	-	122.84	122.71	4536	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Jun 4	Day's change %	Tue Jun 3	Accrued interest	xd adj. ytd		Low coupon yield Jun 4	Jun 3	Yr. ago	Medium coupon yield Jun 4	Jun 3	Yr. ago	High coupon yield Jun 4	Jun 3	Yr. ago
1 Up to 5 years (19)	119.67	-0.03	119.71	1.86	5.38	5 yrs	7.00	6.98	7.62	7.07	7.04	7.66	7.12	7.09	7.76
2 5-15 years (21)	151.47	-0.20	151.78	1.53	5.93	15 yrs	7.21	7.17	8.34	7.20	7.16	8.36	7.16	7.14	8.44
3 Over 15 years (6)	178.30	-0.33	178.89	4.96	5.02	20 yrs	7.27	7.22	8.41	7.21	7.17	8.41	7.16	7.14	8.48
4 Irredeemables (5)	204.60	-0.36	205.34	1.36	7.10	Irred.†	7.35	7.31	8.43						
5 All stocks (51)	146.06	-0.17	146.31	2.28	5.68										

Index-linked							Inflation 5% Jun 4	Jun 3	Yr. ago	Inflation 10% Jun 4	Jun 3	Yr. ago
6 Up to 5 years (2)	204.39	-0.06	204.51	1.06	3.03	Up to 5 yrs	3.54	3.52	2.97	2.91	2.88	1.83
7 Over 5 years (10)	196.30	-0.23	196.76	1.42	2.86	Over 5 yrs	3.66	3.63	3.77	3.45	3.43	3.58
8 All stocks (12)	196.09	-0.22	196.51	1.37	2.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jun 4	Jun 3	Jun 2	May 30	May 29	Yr ago	High*	Low*
Govt. Secs. (UK)	96.48	96.73	96.10	96.09	95.74	92.30	97.51	93.31
Fixed Interest	120.42	120.57	120.12	120.00	120.02	111.92	121.58	115.32

Gilt Edged Activity Indices

	Jun 3	Jun 2	May 30	May 29	May 28
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 4

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98¼	98½		6.87
ABN Amro Bank 7¼ 05	1000	100½	100¾	+⅛	7.29
African Dev Bk 7⅜ 23	500	98⅝	99⅛	+⅛	7.49
Spain 7¼ 03	4000	110¼	110⅜	+⅛	5.14
Volkswagen Intl Fin 7 03	1000	107¾	108⅛	+⅛	5.45
World Bank 5⅞ 03	3000	103⅞	104	+⅛	5.15
World Bank 6⅛ 02	3000	105½	105⅝	+⅛	4.92
Abbey Natl Treasury 8 03 £	1000	102⅛	102¼	-⅛	7.59
British Land 8⅞ 23 £	150	104⅛	104½	-¼	8.86
Denmark 6¾ 98 £	800	99⅝	99¾		7.05
Depfa Finance 7¼ 03 £	500	97⅜	97⅞	-⅛	7.59
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.99	6.28	100$\frac{3}{16}$	—	101$\frac{5}{16}$	100$\frac{1}{16}$
Treas 8¾pc 1997‡‡		8.71	6.35	100½	—	107$\frac{11}{16}$	100$\frac{13}{32}$
Exch 15pc 1997		14.53	6.40	103¼	-$\frac{1}{32}$	111$\frac{15}{16}$	103$\frac{7}{32}$
Exch 9¾pc 1998		9.56	6.46	101$\frac{31}{32}$	-$\frac{1}{32}$	105$\frac{3}{16}$	100$\frac{1}{16}$
Treas 7¼pc 2006‡‡		7.46	7.16	103⅞	-⅛	107¼	96$\frac{11}{16}$
Treas 8pc 2002-6‡‡		7.76	7.24	103$\frac{3}{16}$	-$\frac{3}{16}$	104$\frac{7}{16}$	99⅛
Treas 11¾pc 2003-7		9.70	7.14	121$\frac{5}{32}$	-¼	123$\frac{3}{16}$	115⅛
Treas 8½pc 2007 ‡‡		7.77	7.17	109$\frac{13}{16}$	-$\frac{3}{16}$	111$\frac{1}{32}$	101$\frac{11}{16}$
Index-Linked							
4⅝pc '98‡‡	(135.6)	-	2.71	114$\frac{1}{16}$	-$\frac{1}{32}$	114⅝	113$\frac{1}{16}$
2½pc '01	(78.3)	2.89	3.53	186$\frac{11}{16}$	-$\frac{3}{16}$	187$\frac{13}{16}$	178$\frac{13}{16}$
2½pc '03	(78.8)	3.12	3.58	182$\frac{5}{16}$	-$\frac{3}{16}$	184$\frac{7}{16}$	173⅞
4⅜pc '04‡‡	(135.6)	3.17	3.57	117$\frac{13}{16}$	-$\frac{3}{16}$	120$\frac{3}{16}$	113$\frac{13}{16}$
2pc '06	(69.5)	3.29	3.59	192$\frac{5}{16}$	-$\frac{3}{16}$	195$\frac{11}{16}$	181¼
[illegible]							

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Dollar cruises upwards in Europe

MARKETS REPORT

By Richard Adams

A lack of strong signals for the foreign exchange markets yesterday left little for dealers to go on, leading to a gentle lift for the US dollar.

The dollar gained a third of a pfennig against the D-Mark, to DM1.729, and most of a centime against the French franc, to FFr5.832.

The D-Mark remained range-bound, as trading desks mulled the consequences of the decision by the German government to retreat from its gold revaluation plans.

"The fact that some of the political friction has cooled down between Bonn and the Bundesbank should be taking some of the heat of the D-Mark short-term, and pave the way to some recovery in the D-Mark's European cross rates," said Mr David Brown, chief European economist at Bear Stearns in London.

■ What to do in case of soft Euro or collapsing Emu? Mr Avinash Persaud, currency strategist at J.P. Morgan in London, suggests buying sterling, dollars and (later) yen to avoid D-Mark weakness outside of Europe.

Inside Europe, he recommends buying D-Marks against pesetas, French francs and lira against the risk of an Emu delay.

"Given the limited and well-defined limit of D-Mark weakness in Europe provided by the ERM central parities, we recommend building aggressive long D-Mark positions within Europe to act as a hedge against an Emu explosion," Mr Persaud argues.

■ Pound in New York

Jun 4	--Latest--	-- Prev. close --
£ spot	1.6280	1.6345
1 mth	1.6269	1.6335
3 mth	1.6246	1.6312
1 yr	1.6160	1.6230

■ Traders said the pound was spooked by comments from Mr Eddie George, governor of the Bank of England, that the new Monetary Policy Committee would be looking at "the exaggerated strength" of sterling during its first meeting, which starts today.

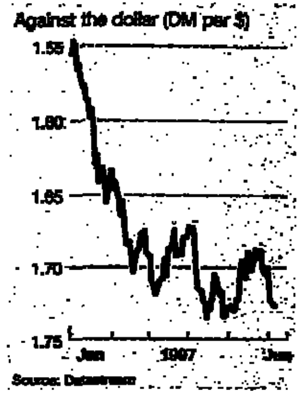
Mr George, speaking in Switzerland, said: "The immediate problem is to balance the degree of tension between the pressure of domestic demand, which has been running a bit above a sustainable rate, with the exaggerated strength of the exchange rate."

The Bank governor's remarks caused sterling to dip sharply from its intraday high of DM2.833, as the market's first reaction was that an interest rate rise was less likely, to weaken to DM2.816. The pound also lost two-thirds of a cent against the dollar in London, to close at $1.629.

But the prevailing view remained that another base rate rise was on the way: long gilt futures shed $\frac{5}{32}$ after a survey of services purchasing managers showing greater activity.

D-Mark

Against the dollar (DM per $)



Source: Datastream

Mr Philip Shaw, chief economist at Union Discount at London, said it was difficult to predict which way the MPC would move. But increased building society windfall payments, and strong retail sales figures could tip the balance. "I think the Bank will be tempted to to tighten rates, to strengthen its credibility." Mr Shaw said.

■ The Swiss franc had another up-and-down day, complicated by monetary moves by the Swiss National Bank. The currency lost half a pfennig against the D-Mark, to DM1.197.

The SNB yesterday imparted another large injection of liquidity into the money markets. The SNB has recently been offering liquidity at aggressive rates to dilute interest rate rise expectations, following its announcement last week that it would act to stop the Swiss franc's appreciation.

Mr Hans Meyer, president of the SNB, said yesterday the central bank had no specific target for the Swiss franc, but was acting in a flexible way.

"We have no specific aim. We react to those specific developments which we will have to live with for some time to come," he said.

Mr Meyer also said the biggest potential policy problem Switzerland would face would be currency pressure created by uncertainties over European monetary union. He said the bank then had two choices – react in a flexible way and "to try and muddle through at a higher level", or to peg the Swiss franc to another currency.

The "other currency" was presumably the Euro. A market rumour on Tuesday that the Swiss franc was to be pegged to the Euro caused heavy selling against the D-Mark.

■ OTHER CURRENCIES

Jun 4		£	$
Czech	Kp	53.4880 - 53.6412	32.8810 - 32.9350
Hungary		300.224 - 300.397	184.380 - 184.440
Iran		4886.10 - 4884.80	3000.00 - 3000.00
Kuwait		0.4930 - 0.4933	0.3028 - 0.3029
Poland		5.2488 - 5.2517	3.2225 - 3.2245
Russia		9391.46 - 9397.60	5768.00 - 5770.00
U.A.E.		5.9795 - 5.9821	3.6725 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Jun 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8202	-0.0562	126 - 278	19.9437	19.7482	19.7667	3.2	19.6787	2.9	-	-	102.8
Belgium	(BFr)	58.1031	-0.1912	616 - 446	58.4410	57.8980	57.9481	3.2	57.6331	3.2	56.2031	3.3	102.7
Denmark	(DKr)	10.7242	-0.0307	209 - 274	10.7930	10.6868	10.6987	2.9	10.6462	2.9	10.4247	2.8	105.3
Finland	(FM)	8.4337	-0.0312	284 - 389	8.4970	8.3990	-	-	-	-	-	-	82.3
France	(FFr)	9.4971	-0.0299	944 - 997	9.5659	9.4658	9.4729	3.1	9.425	3.0	9.2024	3.1	105.3
Germany	(DM)	2.8162	-0.0078	152 - 172	2.8341	2.8047	2.8086	3.2	2.7926	3.4	2.7223	3.3	103.8
Greece	(Dr)	447.368	-2.595	218 - 518	450.732	445.777	-	-	-	-	-	-	65.0
Ireland	(I£)	1.0854	-0.0056	845 - 863	1.1055	1.0842	1.0855	-0.1	1.0845	0.3	1.0875	0.7	97.5
Italy	(L)	2765.52	-11.02	468 - 635	2783.38	2755.17	2767.42	-0.8	2768.82	-0.5	2754.82	0.4	78.3
Luxembourg	(LFr)	58.1031	-0.1912	616 - 446	58.4410	57.8980	57.9481	3.2	57.6331	3.2	56.2031	3.3	102.7
Netherlands	(Fl)	3.1579	-0.0098	570 - 588	3.1881	3.1575	3.1694	3.2	3.1414	3.3	3.0633	3.3	102.2
Norway	(NKr)	11.6247	-0.0324	188 - 305	11.6953	11.5925	11.5942	3.1	11.5347	3.1	11.2887	2.9	98.4
Portugal	(Es)	284.205	-1.049	121 - 290	286.005	281.335	284.055	0.6	283.68	0.7	-	-	93.4
Spain	(Pta)	237.868	-0.684	750 - 986	239.320	236.940	237.708	0.8	237.268	1.0	234.513	1.4	77.4
Sweden	(SKr)	12.6247	-0.0596	174 - 319	12.7081	12.5810	12.6032	2.0	12.5552	2.2	12.3812	2.1	83.8
Switzerland	(SFr)	2.3524	+0.0028	516 - 531	2.3624	2.3419	2.343	4.8	2.3239	4.8	2.2399	4.8	105.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.6
Ecu	-	1.4427	-0.0056	422 - 432	1.4529	1.4379	1.4401	2.2	1.4342	2.4	1.407	2.5	-
SDR†	-	1.179574	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6282	-0.0077	279 - 285	1.6367	1.6233	-	-	-	-	-	-	-
Brazil	(R$)	1.7467	-0.0061	462 - 471	1.7531	1.7410	-	-	-	-	-	-	-
Canada	(C$)	2.2402	-0.009	394 - 409	2.2520	2.2322	2.234	3.3	2.2225	3.2	2.1806	2.7	84.9
Mexico	(New Peso)	12.9136	-0.0231	035 - 237	12.9601	12.8605	-	-	-	-	-	-	-
USA	($)	1.6285	-0.0076	282 - 287	1.6370	1.6235	1.6273	0.9	1.6251	0.8	1.6165	0.7	103.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1477	-0.003	466 - 487	2.1546	2.1402	2.1471	0.3	2.1452	0.5	2.1351	0.6	93.5
Hong Kong	(HK$)	12.6098	-0.0604	068 - 123	12.6745	12.5724	12.6037	0.6	12.593	0.5	12.5583	0.4	-
India	(Rs)	58.2530	-0.3112	033 - 026	58.5670	58.1130	-	-	-	-	-	-	-
Israel	(Shk)	5.5525	-0.0193	466 - 583	5.5762	5.5400	-	-	-	-	-	-	-
Japan	(Y)	189.128	-0.823	034 - 222	190.480	188.740	188.058	6.7	186.058	6.5	177.243	6.3	131.1
Malaysia	(M$)	4.0972	-0.0217	957 - 986	4.1203	4.0872	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3637	-0.0125	621 - 652	2.3752	2.3588	2.3638	0.1	2.3645	-0.1	2.3717	-0.3	113.5
Philippines	(Peso)	42.9390	-0.1988	949 - 830	42.9958	42.8768	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1075	-0.0286	064 - 086	6.1392	6.0891	-	-	-	-	-	-	-
Singapore	(S$)	2.3279	-0.0142	267 - 290	2.3425	2.3232	-	-	-	-	-	-	-
South Africa	(R)	7.2874	-0.0268	838 - 909	7.3168	7.2635	-	-	-	-	-	-	-
South Korea	(Won)	1450.95	-6.82	666 - 524	1459.06	1445.52	-	-	-	-	-	-	-
Taiwan	(T$)	45.4175	-0.197	698 - 652	45.6510	45.3200	-	-	-	-	-	-	-
Thailand	(Bt)	40.1413	-0.5977	537 - 289	42.2670	39.5260	-	-	-	-	-	-	-

† Rates for Jun 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1712	+0.0225	684 - 740	12.2030	12.1450	12.1487	2.2	12.1	2.3	11.8512	2.6	102.5
Belgium	(BFr)	35.6800	+0.05	600 - 000	35.7700	35.6010	35.605	2.5	35.45	2.6	34.71	2.7	102.6
Denmark	(DKr)	6.5855	+0.012	845 - 865	6.6023	6.5715	6.5737	2.1	6.549	2.2	6.437	2.3	104.4
Finland	(FM)	5.1790	+0.0052	765 - 814	5.1985	5.1660	5.1671	2.8	5.1427	2.8	5.0345	2.8	81.6
France	(FFr)	5.8320	+0.009	312 - 327	5.8568	5.8190	5.8203	2.4	5.7976	2.4	5.6825	2.6	104.8
Germany	(DM)	1.7294	+0.0033	290 - 297	1.7340	1.7257	1.7257	2.6	1.718	2.6	1.6811	2.8	103.3
Greece	(Dr)	274.720	-0.265	670 - 770	276.750	274.200	275.605	-3.9	277.145	-3.5	283.42	-3.2	64.5
Ireland	(I£)	1.4866	+0.0006	858 - 876	1.4888	1.4779	1.4859	0.5	1.4853	0.3	1.4821	0.3	-
Italy	(L)	1698.25	+1.2	800 - 850	1703.66	1694.48	1700.15	-1.3	1702.85	-1.1	1705.12	-0.4	75.9
Luxembourg	(LFr)	35.6800	+0.05	600 - 000	35.7700	35.6010	35.605	2.5	35.45	2.6	34.71	2.7	102.6
Netherlands	(Fl)	1.9454	+0.0031	451 - 456	1.9506	1.9417	1.9413	2.5	1.9327	2.6	1.8922	2.7	102.0
Norway	(NKr)	7.1385	+0.0136	360 - 410	7.1650	7.1150	7.1212	2.9	7.0957	2.4	6.97	2.4	97.5
Portugal	(Es)	174.525	+0.175	500 - 550	174.980	172.810	174.51	0.1	174.445	0.2	173.135	0.8	93.8
Spain	(Pta)	146.070	+0.265	020 - 120	146.500	145.780	146.07	0.0	145.993	0.2	144.735	0.9	77.0
Sweden	(SKr)	7.7526	-0.0002	493 - 558	7.7787	7.7353	7.7432	1.4	7.7226	1.5	7.6281	1.6	83.8
Switzerland	(SFr)	1.4446	+0.0085	443 - 448	1.4462	1.4348	1.4398	4.0	1.43	4.0	1.3843	4.2	105.3
UK	(£)	1.6285	-0.0076	282 - 287	1.6370	1.6235	1.6273	0.9	1.6251	0.8	1.6165	0.7	99.7
Ecu	-	1.1286	-0.0009	285 - 290	1.1311	1.1251	1.1302	-1.5	1.1336	-1.7	1.1512	-2.0	-
SDR†	-	0.720658	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0726	+0.0013	725 - 727	1.0729	1.0712	-	-	-	-	-	-	-
Canada	(C$)	1.3757	+0.0009	754 - 759	1.3775	1.3736	1.3727	2.6	1.3672	2.5	1.3482	2.0	84.8
Mexico	(New Peso)	7.9300	+0.023	250 - 350	7.9360	7.9230	8.0385	-16.4	8.24	-15.6	9.235	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3188	+0.0043	184 - 193	1.3195	1.3162	1.3192	-0.4	1.3193	-0.2	1.3183	0.0	95.8
Hong Kong	(HK$)	7.7433	-0.0007	428 - 438	7.7445	7.7410	7.7443	-0.2	7.7457	-0.1	7.7558	-0.2	-
India	(Rs)	35.7720	-0.023	470 - 970	35.7960	35.7320	35.862	-3.0	36.147	-4.2	33.952	5.1	-
Israel	(Shk)	3.4097	+0.0042	066 - 127	3.4130	3.4065	-	-	-	-	-	-	-
Japan	(Y)	116.140	+0.04	100 - 180	116.490	115.840	115.585	5.7	114.48	5.7	109.58	5.6	132.0
Malaysia	(M$)	2.5160	-0.0015	155 - 165	2.5190	2.5153	2.5183	-1.1	2.5224	-1.0	2.5398	-0.9	-
New Zealand	(NZ$)	1.4515	-0.0008	507 - 522	1.4529	1.4505	1.4523	-0.7	1.4547	-0.9	1.4648	-0.9	-
Philippines	(Peso)	26.3680	+0.003	450 - 910	26.3920	26.3440	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7503	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4295	-0.002	290 - 300	1.4315	1.4290	1.4279	1.4	1.4238	1.6	1.402	1.9	-
South Africa	(R)	4.4750	+0.0045	735 - 765	4.4795	4.4625	4.5145	-10.6	4.592	-10.5	4.89	-9.3	-
South Korea	(Won)	891.000	-	500 - 500	893.700	888.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.8900	+0.01	650 - 150	27.9220	27.8850	27.8907	0.0	27.892	0.0	27.8963	0.0	-
Thailand	(Bt)	24.6500	-0.25	000 - 000	25.8530	24.2530	24.7112	-3.0	24.835	-3.0	25.405	-3.1	-

† SDR rate per $ for Jun 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 3: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

June 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	3⅛	3¼	6.00	2.50	-
France	3⅞	3⅛	3⅜	3⅜	3⅜	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3¼	3⅛	4.60	2.50	3.00
Ireland	6⅛	6¼	6¼	6¼	6⅜	-	-	6.75
Italy	6¾	6⅝	6⅝	6⅝	6¾	8.25	6.75	6.78
Netherlands	3⅞	3⅛	3⅛	3¼	3⅜	-	2.50	2.80
Switzerland	⅞	1⅛	1⅞	1⅝	1⅞	-	1.00	-
US	5⅝	5¾	5¾	5⅝	6⅛	-	5.00	-
Japan	½	⅝	⅝	⅝	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅝	6⅛	-	-	-
US Dollar CDs	-	5.50	5.62	5.73	6.00	-	-	-
ECU Linked Ds	-	4⅛	4⅜	4¼	4⅛	-	-	-
SDR Linked Ds	-	3¼	3⅜	3¾	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3¼	3⁵⁄₁₆ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3¹¹⁄₃₂ - 3⁷⁄₃₂	3¹³⁄₃₂ - 3⅜
Danish Krone	3¾ - 3½	3⁹⁄₁₆ - 3½	3⅝ - 3½	3¹¹⁄₁₆ - 3⁹⁄₁₆	3²³⁄₃₂ - 3¹⁹⁄₃₂	3²⁷⁄₃₂ - 3¾
German Mark	3⅛ - 2⅞	3³⁄₃₂ - 2³¹⁄₃₂	3⅛ - 2⅞	3⁵⁄₃₂ - 2⅞	3⁷⁄₃₂ - 2³¹⁄₃₂	3⅜ - 3¼
Dutch Guilder	3¼ - 3⁵⁄₃₂	3¹¹⁄₃₂ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3¹¹⁄₃₂ - 3⁷⁄₃₂	3⁷⁄₁₆ - 3⁵⁄₁₆
French Franc	3⁵⁄₃₂ - 3⅛	3⁵⁄₁₆ - 3³⁄₁₆	3⅜ - 3¼	3⁷⁄₁₆ - 3¹¹⁄₃₂	3¹⁷⁄₃₂ - 3¹³⁄₃₂	3⅝ - 3½
Portuguese Esc.	6¼ - 6⅛	6 - 5²⁹⁄₃₂	6 - 5²⁹⁄₃₂	5¹³⁄₁₆ - 5²³⁄₃₂	5¹³⁄₁₆ - 5½	5¹³⁄₁₆ - 5¹¹⁄₁₆
Spanish Peseta	5⅜ - 5¼	5¹³⁄₃₂ - 5¼	5⁵⁄₁₆ - 5³⁄₁₆	5⁷⁄₁₆ - 5⁵⁄₁₆	5⁵⁄₁₆ - 5³⁄₁₆	5⁵⁄₁₆ - 5³⁄₁₆
Sterling	6⁷⁄₃₂ - 6⅜	6⁷⁄₁₆ - 6⁵⁄₁₆	6¹⁷⁄₃₂ - 6¹³⁄₃₂	6¹¹⁄₁₆ - 6⁷⁄₁₆	6¹⁵⁄₁₆ - 6⅞	7⅛ - 6⅞
Swiss Franc	1⅛ - ¾	1⁵⁄₁₆ - ¹⁵⁄₁₆	1⅜ - ²¹⁄₃₂	1¹³⁄₃₂ - 1⁹⁄₃₂	1¹⁵⁄₁₆ - 1¹³⁄₁₆	1¹⁵⁄₁₆ - 1¹³⁄₁₆
Canadian Dollar	3 - 2¾	3⅛ - 2¹⁵⁄₁₆	3⅛ - 2¹⁵⁄₁₆	3¼ - 3⅛	3½ - 3⅜	4 - 3⅞
US Dollar	5¹¹⁄₁₆ - 5⁹⁄₁₆	5²¹⁄₃₂ - 5¹⁹⁄₃₂	5¹¹⁄₁₆ - 5⁹⁄₁₆	5¾ - 5⅝	5²⁷⁄₃₂ - 5²³⁄₃₂	6⁵⁄₁₆ - 6³⁄₁₆
Italian Lira	7½ - 6½	6²⁷⁄₃₂ - 6²³⁄₃₂	6⅞ - 6¾	6⅞ - 6²³⁄₃₂	6¾ - 6²³⁄₃₂	6²¹⁄₃₂ - 6¹⁹⁄₃₂
Japanese Yen	¹⁷⁄₃₂ - ½	½ - ⅜	¹⁹⁄₃₂ - ⁹⁄₁₆	⅝ - ¹⁹⁄₃₂	²¹⁄₃₂ - ⁹⁄₁₆	²⁷⁄₃₂ - ¾
Asian $Sing	3 - 2⅞	3⁵⁄₁₆ - 3³⁄₁₆	3¹¹⁄₁₆ - 3⁵⁄₁₆	3¾ - 3⅝	3¾ - 3⅝	3¾ - 3¹¹⁄₁₆

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.54	96.51	-0.01	96.55	96.47	22,978	60,119
Sep	96.49	96.45	-0.02	96.50	96.42	20,409	60,129
Dec	96.48	96.44	-0.03	96.49	96.41	5,582	32,965

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.81	96.82	+0.01	96.82	96.80	22213	209247
Sep	96.75	96.75	-	96.77	96.73	37986	221196
Dec	96.65	96.65	+0.01	96.66	96.62	34113	245672
Mar	96.54	96.54	+0.01	96.55	96.52	29572	219969

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.86	96.86	+0.01	96.86	96.86	700	1567
Jul	-	96.84	-	-	-	0	350
Aug	-	96.81	-	-	-	0	119
Sep	-	96.79	-	-	-	0	3

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.24	93.19	-0.02	93.24	93.16	16152	83335
Sep	93.44	93.42	-0.02	93.45	93.40	14583	107584
Dec	93.66	93.64	-0.01	93.66	93.61	11606	55799
Mar	93.80	93.78	-0.01	93.81	93.76	4669	37123

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.70	98.64	-0.10	98.70	98.57	12341	41640
Sep	98.57	98.53	-0.07	98.58	98.45	18645	58358
Dec	98.36	98.33	-0.06	98.36	98.25	4899	33514
Mar	98.17	98.19	-0.05	98.19	98.11	1250	14985

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.38	-	-	-	0	n/a
Sep	-	99.18	+0.02	-	-	0	n/a
Dec	-	98.85	+0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.85	-0.02	95.86	95.83	582	7780
Sep	95.84	95.83	-0.02	95.84	95.81	396	6804
Dec	95.80	95.81	-0.02	95.81	95.78	103	5362
Mar	95.74	95.73	-	95.74	95.70	346	3737

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9300	0.21	0.55	0.79	0.02	0.13	0.15
9325	0.04	0.37	0.60	0.10	0.20	0.21
9350	0.01	0.23	0.44	0.32	0.31	0.30

Est. vol. total, Calls 5226 Puts 2650. Previous day's open int., Calls 182814 Puts 92247

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.35	4.847	1.885	4760	5.452	20.01	489.1	409.4	21.73	4.049	1.721	3.856	2.803	325.5	2.483
Denmark	(DKr)	54.18	10	8.856	2.626	1.021	2579	2.954	10.84	265.0	221.8	11.77	2.194	0.932	2.089	1.518	176.4	1.345
France	(FFr)	61.18	11.29	10	2.965	1.153	2912	3.336	12.24	299.3	250.5	13.29	2.477	1.053	2.359	1.715	199.1	1.519
Germany	(DM)	20.63	3.808	3.372	1	0.389	982.0	1.125	4.128	100.9	84.46	4.483	0.835	0.355	0.795	0.578	67.16	0.512
Ireland	(I£)	53.04	9.790	8.670	2.571	1	2525	2.892	10.61	259.4	217.1	11.53	2.148	0.913	2.045	1.487	172.7	1.317
Italy	(L)	2.101	0.388	0.343	0.102	0.040	100	0.115	0.420	10.28	8.601	0.457	0.085	0.036	0.081	0.059	6.839	0.052
Netherlands	(Fl)	18.34	3.385	2.998	0.889	0.346	873.0	1	3.669	89.71	75.08	3.985	0.743	0.316	0.707	0.514	59.70	0.455
Norway	(NKr)	49.98	9.225	8.170	2.423	0.942	2379	2.725	10	244.5	204.6	10.86	2.024	0.860	1.927	1.401	162.7	1.241
Portugal	(Es)	20.44	3.773	3.342	0.991	0.385	973.1	1.115	4.090	100	83.70	4.442	0.828	0.352	0.788	0.573	66.55	0.508
Spain	(Pta)	24.43	4.508	3.993	1.184	0.461	1163	1.332	4.887	119.5	100	5.307	0.989	0.420	0.942	0.685	79.51	0.606
Sweden	(SKr)	46.02	8.495	7.523	2.231	0.868	2191	2.509	9.208	225.1	188.4	10	1.863	0.792	1.775	1.290	149.8	1.143
Switzerland	(SFr)	24.70	4.559	4.037	1.197	0.466	1176	1.347	4.942	120.8	101.1	5.367	1	0.425	0.952	0.692	80.40	0.613
UK	(£)	58.10	10.72	9.497	2.816	1.095	2766	3.168	11.63	284.2	237.9	12.63	2.353	1	2.240	1.629	189.1	1.443
Canada	(C$)	25.94	4.787	4.239	1.257	0.489	1234	1.414	5.189	126.9	106.2	5.635	1.050	0.446	1	0.727	84.42	0.644
USA	($)	35.68	6.586	5.832	1.729	0.673	1698	1.945	7.139	174.5	146.1	7.753	1.445	0.614	1.376	1	116.1	0.886
Japan	(Y)	30.72	5.670	5.022	1.489	0.579	1462	1.675	6.148	150.3	125.8	6.675	1.244	0.529	1.185	0.861	100	0.763
Ecu	-	40.26	7.434	6.583	1.952	0.759	1917	2.196	8.058	197.0	164.9	8.751	1.631	0.693	1.553	1.129	131.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5794	0.5800	+0.0006	0.5800	0.5771	24,886	75,130
Sep	0.5832	0.5836	+0.0004	0.5837	0.5810	9,453	18,169
Dec	-	0.5873	-	-	0.5865	218	523

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8632	0.8618	-0.0013	0.8641	0.8598	11,551	73,958
Sep	0.8735	0.8733	-0.0012	0.8735	0.8720	888	9,259
Dec	0.8860	0.8860	-	-	0.8855	20	883

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6970	0.6953	-0.0018	0.6986	0.6922	14,783	38,607
Sep	0.7025	0.7026	-0.0025	0.7044	0.6990	1,433	6,672
Dec	0.7100	0.7110	-0.0022	0.7110	0.7095	193	545

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6344	1.6240	-0.0102	1.6350	1.6240	3,547	36,201
Sep	1.6310	1.6210	-0.0100	1.6310	1.6210	858	5,511
Dec	-	1.6200	-0.0080	-	1.6180	4	113

UK INTEREST RATES

LONDON MONEY RATES

Jun 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 5	6¼ - 6⅛	6½ - 6⅛	6¹¹⁄₁₆ - 6⁷⁄₁₆	6¹³⁄₁₆ - 6¹¹⁄₁₆	7⅛ - 6¹⁵⁄₁₆
Sterling CDs	-	-	6⁵⁄₁₆ - 6¼	6¹³⁄₃₂ - 6¹¹⁄₃₂	6⅝ - 6½	6²⁹⁄₃₂ - 6²⁷⁄₃₂
Treasury Bills	-	-	6⁵⁄₁₆ - 6³⁄₁₆	6¹¹⁄₃₂ - 6⁷⁄₃₂	-	-
Bank Bills	-	-	6⁷⁄₃₂ - 6³⁄₁₆	6⁵⁄₁₆ - 6¼	6⁹⁄₁₆ - 6⁷⁄₁₆	-
Local authority deps.	6¼ - 6	6⅜ - 6¼	6¹¹⁄₃₂ - 6⁵⁄₁₆	6⁷⁄₁₆ - 6¹¹⁄₃₂	6¹⁵⁄₁₆ - 6¹¹⁄₁₆	7 - 6¹³⁄₁₆
Discount Market deps	6⅜ - 6⅛	6⅜ - 6¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on May 30, 6.3108pc. ECGD fixed rate Stlg. Export Finance. Make up day May 30, 1997. Agreed rate for period Jun 26, 1997 to Jul 25, 1997, Scheme III 7.78pc. Reference rate for period May 1, 1997 to May 30, 1997, Schemes IV & V 6.530pc. Finance House Base Rate 7pc from Jun 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.36	93.34	-0.03	93.36	93.33	9822	497
Sep	93.19	93.16	-0.04	93.19	93.14	18587	3214
Dec	93.03	93.00	-0.04	93.04	92.97	18046	3385
Mar	92.91	92.88	-0.04	92.91	92.86	4028	543
Jun	92.81	92.79	-0.04	92.81	92.76	2494	46456

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.12	0.08	0.09	0.03	0.17	0.34
9350	0.01	0.02	0.03	0.17	0.36	0.53
9375	0	0	0.01	0.41	0.59	0.78

Est. vol. total, Calls 1986 Puts 2232. Previous day's open int., Calls 181640 Puts 175587

EMS EUROPEAN CURRENCY UNIT RATES

Jun 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.763779	+0.000733	-4.37	7.10	29
Finland	5.85424	5.86666	-0.02026	0.21	2.20	-1
Portugal	197.398	197.925	-0.18	0.27	2.15	-2
Spain	163.826	165.527	-0.161	1.04	1.37	-7
Italy	1906.48	1926.56	-1.33	1.05	1.35	-8
Denmark	7.34555	7.46841	-0.00131	1.67	0.73	-11
Netherlands	2.16979	2.20682	-0.00055	1.70	0.71	-13
Germany	1.92573	1.96100	-0.00051	1.83	0.58	-18
Belgium	39.7191	40.4633	-0.0242	1.87	0.54	-14
Austria	13.5485	13.8028	-0.0038	1.88	0.53	-14
France	6.45863	6.61496	+0.00168	2.42	0.00	-20
NON ERM MEMBERS						
Greece	295.269	311.607	-1.021	5.53	-2.95	-
UK	0.793103	0.695908	+0.001165	-12.26	16.72	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.620	1.79	2.46	3.02	0.39	1.11	1.83
1.630	1.09	1.88	2.51	0.67	1.53	2.28
1.640	0.64	1.40	2.05	1.19	2.06	2.77

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
0.575	0.70	1.06	1.36	0.23	0.48	0.69
0.580	0.41	0.77	1.10	0.44	0.71	0.91
0.585	0.23	0.55	0.86	0.72	0.99	1.14

Previous day's vol., Calls n/a Puts n/a. Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.19	94.19	-	94.19	94.18	39,099	403,269
Sep	94.02	94.01	-0.01	94.02	94.00	76,753	484,756
Dec	93.80	93.78	-0.02	93.81	93.78	59,175	378,426

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.95	94.96	+0.02	94.96	94.94	494	4,154
Sep	94.66	94.65	-0.01	94.66	94.65	171	5,853

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
9675	0.07	0.04	0.05	0.07	0	0.04	0.05	0.07
9700	0.01	0.01	0.01	0.01	0.19	0.26	0.26	0.26
9725	0	0	0	0	0.43	0.50	0.50	0.50

Est. vol. total, Calls 921 Puts 2175. Previous day's open int., Calls 401686 Puts 309481

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9875	0.03	0.07	0.08	0.14	0.29	0.50
9900	0.01	0.02	0.04	0.37	0.49	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4605 Puts 4040

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	•Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	•Smith & Williamson Secs	6.25
•Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	•Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	•Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.00
Bank of Ireland	6.25	•Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	•Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	•Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

COMMODITIES AND AGRICULTURE

Philippines may renege on sugar agreement

By Justin Marozzi in Bacolod City

The Philippines is set to renege on its commitment to reduce tariffs on sugar imports to save the ailing industry, a legislator from the sugar-growing province of Negros said yesterday.

Under World Trade Organisation (WTO) obligations, the Philippines is committed to reduce tariffs from 100 per cent to 80 per cent by July 1, but sugar producers argue this will deliver a fatal blow to an industry which is already highly uncompetitive.

With a cost of production of more than 20 cents a pound, Philippine sugar compares unfavourably with other big producers such as Brazil and Australia at 7 to 12 cents a pound. Sugar from neighbouring Thailand is half the price of that produced locally.

"Sugar is going to be a dead industry by July 1 unless we act immediately," said Congressman Miguel Romero, from Negros Oriental. "There is no way we can compete. We must be honest about it and say sorry we made a mistake. What good is an agreement if it kills us economically?"

Mr Romero said that during a summit in Manila last week delegates from 20 developing and developed countries, including Japan and the US, had agreed to renegotiate the period for lowering WTO tariffs on agricultural products beyond the 2005 deadline. They had in mind the 2020 target approved last November by the Asia Pacific Economic Co-operation (Apec) forum.

In another move designed to protect the industry, Mr Manuel Lamata, president of one of the country's largest sugar associations, said planters would resist exporting the 1997-98 crop to the US at sub-market prices.

The Philippines' sugar quota to the US was increased recently to 246,000 tonnes. "Being a Third World country, it is neither right nor logical for us to subsidise a super-power," he said.

Meanwhile, Victorias Milling, the Philippine group which is the largest sugar refiner in Asia, said the results of an audit after its financial collapse in March would be known within a month. The results are central to the future of the mill, which said it was unable to pay debts totalling 6.1bn pesos ($231m) after expenditure on an ambitious modernisation plan. The mill is now seeking an injection of about 2.5bn pesos.

"Hopefully, when the due diligence is completed we'll get a capital infusion through a financier," said a company official. "Many are interested, but nobody will submit a formal offer until that is completed."

India eases on rice imports

By Kunal Bose in Calcutta

The Indian federal government has allowed the import of common and coarse varieties of rice in the current season, for the first time in more than 10 years.

The move is part of an attempt to push down rice prices in the poverty-struck southern Indian states.

The import of fine and superfine varieties of rice will be allowed provided the share of broken grains – which push down the price – is more than 50 per cent.

The government is yet to announce the level of the import duty. However, trade officials think that because the rice is meant for the non-affluent sections of society, any duty will be very low.

The government wants to ensure an adequate supply of common and coarse varieties in the south Indian states, where prices rose nearly 15 per cent last month.

A complementary proposal by the food ministry to restrict the export of fine and superfine rice (but not fragrant or long grain basmati) to increase domestic availability was rejected by the government.

The government decided that restricting the export of fine and superfine rice would be a "retrograde step", mainly because the crisis of supply is not in the superior grades.

The government hopes that by allowing imports, it will stop farmers who were planning to start a country-wide campaign for a substantial rise in the minimum support price of rice for the 1997-98 kharif [summer] season crop and for a bonus price as was previously given to wheat.

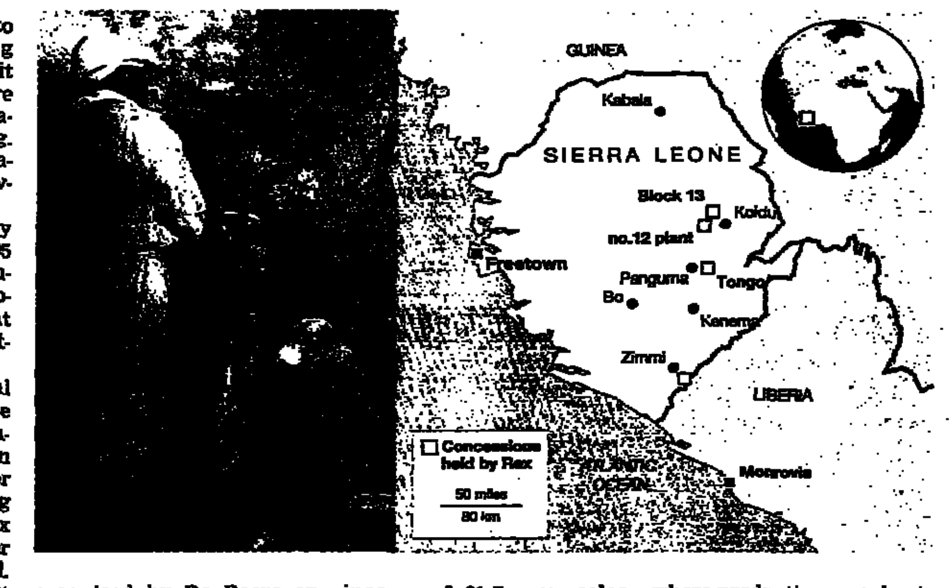
The farmers have started protesting against the rice import decision. However, rice trade experts say the farmers will not go to the extent of refusing to sell rice to the official agencies as they earlier did in the case of wheat.

India's rice production was stagnant at 79.6m tonnes in 1996-97, but the stock of rice in the federal pool fell to 13.2m tonnes on April 1 1997 from 13.9m tonnes a year earlier.

The agriculture ministry has warned the government that a good foodgrain production in the current year should not be taken for granted, despite the meteorological department's forecast of a normal monsoon.

Trade officials said that India's export of rice during 1997-98 would be around last year's level of 2.45m tonnes, including 2m tonnes of non-basmati rice and 450,000 tonnes of basmati rice.

Coup puts diamond venture on ice



Serge Muller turned to diamond mining because he says profit margins are much more attractive than those for diamond dealing and cutting. But the third-generation diamantaire must now be having second thoughts.

Rex Mining, the company he helped to found in 1995 and where he is chief executive, has suffered two substantial setbacks in recent weeks, both completely outside his control.

First, the Bre-X scandal hit Rex's attempts to raise C$35m (US$25.5m) for a diamond mining project in Sierra Leone. With investor appetite for small mining companies all but dead, Rex had to settle for C$10m, after improving the terms offered.

Then, at the end of last month, just after Rex had moved some plant and equipment into Sierra Leone, a military coup took place.

For the first few days, Rex employees stood firm. They joined with people from DiamondWorks, an exploration group working nearby, and pulled all equipment from both projects to one place so it could be more easily protected. However, Mr Muller had his employees evacuated to neighbouring Guinea last weekend.

Mr Muller, 40, started as a diamond dealer working for his father in Antwerp. For the past 12 years he has been one of the privileged few invited to take part in the sales of rough or uncut gems organised by De Beers on behalf of the diamond producers' cartel.

But the business is very competitive, with profit margins ranging between 3 per cent and 10 per cent, and diamond mining appeared to be much more attractive.

With some associates, he spent eight years and about US$12m to buy out the families that owned small diamond mines in South Africa – Ardo, Bellsbank and Rex. All the activities were merged into Rex Mining and *floated. Rex raised US$11.9m* on the Toronto Stock Exchange last September.

Rex employs 1,800, mainly in South Africa. In its last financial year, it made pre-tax profits of $2.5m and net income of $1.7m on sales of $12.3m.

Although relatively small, Rex is the industry leader in mining narrow diamond-bearing rock fissures, which is very labour-intensive because the shape of the fissures prohibits the use of mechanisation.

But the value of the diamonds in these fissures is usually high. Mr Muller says Rex gets an average of $240 a carat (220 milligrammes) for its diamonds, *compared with the* world average of $58.

Rex was the first company to invest in Sierra Leone after the six-year civil war ended, when it put up $1.6m for Kono, an alluvial mine where production was due to have started shortly, at an annual rate of about 20,000 carats.

Mr Muller was attracted to the country, in spite of its political problems, because in the 1960s Sierra Leone had been an important diamond producer. It exported 2.5m carats a year and was the world's second largest producer by value.

Before the fighting flared last month, Rex was putting most of its energies into the Tongo Fields project, which *Mr Muller hopes will eventu*ally lift the company's annual output by 100m carats. This would still leave it as a very small, niche producer in the global diamond industry.

Mr Muller acquired Tongo Fields almost by accident. His Antwerp company was owed money by the National Diamond Mining Company of Sierra Leone at the time NDMC was being broken up, and he asked for the Tongo Fields concession as payment without knowing what it might contain.

Last September, he found among the papers handed to Rex a report on Tongo's potential prepared years earlier for Selection Trust, once a big mining group operating in Africa.

Mr Luc Rombouts, Rex's consulting geologist, says of the report: "After studying it I wanted to convince Rex to focus on Tongo Fields, as it has more than just good potential." He says the data suggest Tongo has a resource of about 18.9m carats worth about $3.3bn. Also, Rex would be able to use its particular expertise because the diamonds are embedded in fissures.

Mr Muller estimates Rex could spend $40m on Tongo. His approach was always going to be cautious, with the money scheduled to be invested gradually.

Now he must wait for the upheaval in Sierra Leone to subside. One thing seems certain, however: with so *many diamonds apparently* in the ground at Tongo, Rex will not easily give up the battle to bring a mine into production.

Kenneth Gooding

Cost to borrow palladiur at record

MARKETS REPORT

By Kenneth Gooding and Gary Mead

The cost of borrowi palladium for one mon shot up yesterday to unprecedented annualis rate of 150 per cent of t price of the metal. The pri for immediate delive jumped to its highest le for 17 years.

The market remains d perately short of palladiu because Russia, its bigg producer, has failed export any this year.

Mr Andy Smith, analyst Union Bank of Switzerlan said the steep rise in t cost of borrowing palladiu was a bearish signal.

"People are unwilling buy palladium because th assume the price will dr once Russian exports beg again," he said. "So they a borrowing it instead."

Traders suggested Russi officials had told Japane customers yesterday th exports would begin aga around June 20.

Palladium's price w "fixed" in London yesterd morning at $210 a tr ounce, up from $188.50 the previous fix. By t close, palladium was $2 up $40 from Tuesday's clo

Platinum, palladium's s ter metal, is also bei affected by the lack of R sian supply. Its price w fixed at $425 an ounce London, up $19, before cl ing at $432.

Coffee futures fell on ne that Colombia would all "unlimited" coffee expo in July and August.

On Liffe the July contr closed at $2,085, $75 dov *On New York's Coff* Sugar and Cocoa Exchar the July price fell to cents a pound, before rec ering slightly. Just bef midday the contract stood 259 cents, down 5.2 cents

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1589-70	1583-83.5
Previous	1553-54	1577-78
High/low		1596/1577
AM Official	1560-61	1582.5-83
Kerb close		1581-82
Open int.	262,934	
Total daily turnover	110,143	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1455-65	1480-85
Previous	1445-55	1473-74
High/low		1482/1475
AM Official	1455-57	1475-78
Kerb close		1478-82
Open int.	5,104	
Total daily turnover	1,735	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	612-3	626-7
Previous	610-11	622-23
High/low		627/621
AM Official	607-8	621-1.5
Kerb close		626-7
Open int.	34,715	
Total daily turnover	9,334	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7040-45	7130-40
Previous	7055-65	7165-70
High/low	7015	7220/7080
AM Official	7010-15	7115-20
Kerb close		7200-10
Open int.	53,024	
Total daily turnover	15,564	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5555-65	5610-20
Previous	5615-25	5670-75
High/low		5670/5580
AM Official	5555-65	5610-20
Kerb close		5595-600
Open int.	16,475	
Total daily turnover	5,446	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1319-20	1344-45
Previous	1299-300	1324-25
High/low	1309/1308.5	1350/1329
AM Official	1308.5-09	1331-32
Kerb close		1349-51
Open int.	91,806	
Total daily turnover	30,340	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2533.5-36.5	2475.5-76
Previous	2535-38	2478-79
High/low	2527	2496/2461
AM Official	2526-27	2475-76
Kerb close		2478-79
Open int.	138,351	
Total daily turnover	92,327	

■ LME AM Official £/$ rate: 1.6287
LME Closing £/$ rate: 1.6287

Spot: 1.6279 3 mths: 1.6247 6 mths: 1.6222 9 mths: 1.6196

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	115.60	-1.50	117.10	114.80	536	2,848
Jul	115.65	-1.45	117.10	114.90	5,381	33,721
Aug	113.85	-1.40	114.25	113.20	84	2,283
Sep	112.65	-1.20	113.95	112.20	810	6,975
Oct	110.85	-1.25	111.00	111.00	5	1,126
Nov	109.15	-0.95	-	-	2	1,214
Total					6,874	59,550

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	341.80-342.30		
Opening	343.50-343.90		
Morning fix	342.40	209.46	494.32
Afternoon fix	341.75	209.70	492.80
Day's High	343.80-343.90		
Day's Low	341.00-341.40		
Previous close	342.80-343.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.67 6 months 4.58
2 months ....4.64 12 months 4.48
3 months 4.64

Silver Fix	p/troy oz.	US cts equiv.
Spot	290.10	472.50
3 months	292.65	475.75
6 months	296.95	481.65
1 year	305.85	494.65

Gold Coins	$ price	£ equiv.
Krugerrand	344-346	211-212
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	340.8	-2.1	342.5	340.7	419	856
Aug	343.6	-2.1	346.3	343.4	19,018	65,327
Oct	346.0	-2.2	347.2	346.0	27	7,413
Dec	348.5	-2.3	349.9	348.5	295	26,064
Feb	351.0	-2.3	-	-	489	7,608
Apr	353.4	-2.3	-	-	25	3,823
Total					19,837	160,801

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	411.6	+9.9	413.0	398.5	2,665	13,797
Oct	394.6	+4.4	394.0	389.1	285	4,821
Jan	390.6	+4.4	390.0	390.0	14	1,286
Apr	390.6	+4.4	-	-	2	22
Total					2,984	18,826

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	202.80	+21.15	200.00	182.00	292	761
Sep	172.80	+3.15	175.00	165.00	1,388	7,018
Dec	164.80	-0.85	169.00	160.00	11	420
Jun	164.80	-0.85	-	-	-	95
Total					1,691	8,294

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	468.3	-2.8	-	-	284	2
Jul	470.0	-2.8	474.0	469.0	8,385	57,569
Sep	474.2	-2.9	477.5	473.5	683	8,443
Dec	480.4	-3.0	483.5	479.5	377	7,950
Jan	482.3	-3.0	-	-	-	17
Mar	486.9	-3.1	489.5	489.5	331	8,500
Total					9,849	91,915

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.20	-0.13	20.38	20.00	72,840	99,150
Aug	20.35	-0.10	20.52	20.12	34,294	54,672
Sep	20.39	-0.09	20.52	20.18	8,556	33,257
Oct	20.44	-0.02	20.47	20.20	3,493	19,482
Nov	20.45	+0.02	20.46	20.38	1,506	18,051
Dec	20.40	+0.01	20.45	20.28	4,253	34,791
Total					131,880	396,755

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	18.90	-	18.97	18.73	13,400	51,469
Aug	19.06	-	19.11	18.90	7,630	49,036
Sep	19.16	-0.03	19.19	19.06	1,164	13,675
Oct	19.24	-	19.24	19.13	517	9,539
Nov	19.22	-0.06	19.23	19.18	322	6,316
Dec	19.24	-0.06	19.29	19.18	1,260	12,455
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	54.15	-0.47	54.80	53.75	19,826	37,674
Aug	54.70	-0.43	55.05	54.23	4,588	18,208
Sep	55.60	-0.28	55.90	55.10	2,241	9,491
Oct	56.50	-0.18	56.70	56.20	743	9,214
Nov	57.35	-0.08	57.50	57.00	779	8,562
Dec	58.00	-0.18	58.35	57.60	2,544	13,409
Total					31,869	121,482

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	168.75	-1.25	169.50	167.50	5,273	17,152
Jul	170.50	-1.00	170.75	168.75	6,622	14,666
Aug	172.50	-1.00	172.75	171.50	1,530	8,258
Sep	174.75	-1.00	174.00	173.50	419	4,984
Oct	176.75	-1.25	176.50	175.50	776	5,279
Nov	178.25	-1.25	178.00	177.25	201	2,285
Total					18,452	55,193

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.155	+0.052	2.170	2.098	26,251	38,395
Aug	2.170	+0.047	2.180	2.129	7,438	22,508
Sep	2.165	+0.042	2.165	2.125	4,284	18,123
Oct	2.175	+0.037	2.180	2.147	4,351	19,725
Nov	2.310	+0.037	2.310	2.298	1,292	8,680
Dec	2.440	+0.040	2.440	2.415	1,542	12,290
Total					51,812	194,801

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	60.50	-0.94	61.35	60.25	18,758	44,268
Aug	59.80	-0.68	60.30	59.50	4,284	12,883
Sep	59.10	-0.58	59.55	58.80	374	5,658
Oct	57.60	-0.38	57.80	57.60	325	3,191
Nov	57.20	-0.08	57.20	57.00	286	1,735
Dec	56.70	-0.23	57.00	56.60	641	3,998
Total					25,180	76,894

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	85.25	+0.75	85.50	84.00	120	1,160
Sep	89.00	+0.65	-	-	-	186
Nov	91.00	+0.40	91.25	90.25	224	3,648
Jan	93.00	+0.40	93.30	93.00	54	1,675
Mar	95.00	+0.40	-	-	-	818
May	97.00	+0.40	97.00	96.50	31	447
Total					430	7,944

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	353.75	-8.25	362.50	352.50	8,556	45,551
Sep	361.50	-6.50	367.00	360.50	2,535	16,305
Dec	373.25	-5.25	378.50	371.50	1,552	16,679
Mar	375.50	-6.00	381.00	375.00	76	2,030
May	367.50	-4.50	371.00	367.50	30	81
Jul	362.00	-4.25	366.50	362.00	40	630
Total					12,761	81,286

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	271.25	-6.25	277.00	271.00	31,709	113,115
Sep	256.50	-5.50	262.00	255.75	2,823	32,211
Dec	254.75	-5.00	259.50	254.00	17,409	109,423
Mar	261.00	-4.75	264.50	260.50	822	13,369
May	265.50	-4.00	267.50	265.00	63	1,434
Jul	269.00	-4.00	270.00	268.25	72	3,369
Total					52,931	276,295

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	87.00	+0.75	-	-	-	35
Nov	89.00	+0.75	89.00	89.00	15	1,122
Jan	91.00	+0.75	-	-	-	161
Mar	93.00	+0.75	-	-	-	19
May	95.00	+0.75	-	-	-	3
Total					15	1,340

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	830.00	-30.00	857.50	830.00	39,654	87,552
Aug	786.00	-27.00	811.00	785.00	8,635	26,045
Sep	712.75	-16.00	727.50	711.00	2,117	9,650
Nov	682.50	-8.75	691.00	679.00	17,845	51,775
Jan	688.00	-9.00	691.50	681.50	311	6,816
Mar	689.50	-8.25	690.00	686.00	124	1,547
Total					68,964	185,226

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	23.34	-0.51	23.80	23.25	7,990	46,156
Aug	23.50	-0.55	24.05	23.43	1,696	16,114
Sep	23.72	-0.51	24.12	23.58	932	9,492
Oct	23.80	-0.45	24.08	23.65	450	8,540
Dec	24.05	-0.47	24.40	23.90	2,233	18,923
Jan	24.22	-0.45	24.48	24.08	6	1,375
Total					13,357	102,038

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	273.1	-10.0	282.9	273.1	10,603	45,816
Aug	255.3	-9.4	264.4	255.0	4,123	18,138
Sep	239.4	-5.6	243.0	238.5	1,126	11,693
Oct	226.8	-3.2	230.0	225.8	653	10,825
Dec	219.6	-3.2	223.0	219.2	3,298	21,609
Jan	218.0	-2.0	220.0	217.0	123	2,335
Total					20,246	113,717

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	30.0	-	-	-	-	-
Nov	58.0	-	-	-	-	11
Mar	108.5	-	-	-	-	-
Apr	111.0	-0.5	114.4	110.0	78	805
May	129.0	-	-	-	-	-
Total					78	816

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	1194	+24	1195	1180	92	400
Jul	1135	+25	1140	1135	37	1,215
Aug	1140	+24	1140	1140	42	227
Oct	1325	+20	1315	1315	5	593
Jan	1335	+5	-	-	-	57
Total					176	2,492

	Close	Prev
BFI	1257	1269

FUTURES DATA

All futures data supplied by CMS.

Nuts and seeds

Prices from Kenkko; US$ a tonne. **Iranian pistachios** 28/30 raw (in shell) naturally opened (round): RPPC prices at 4,500 CFR. Very firm due to very small 1997 crop. 26/28 sold out. **Walnuts:** US jumbo inshell 2,300 CPT Europe duty paid; East Europe LHP mix 3,900 CPT Europe, falling due to slow sales. **Turkish hazelnuts** standard No 1: nervous, price idea 4,600 CFR. Italian goods cheaper. **Turkish sultanas:** 1,290 CFR MEP, firm with few goods. **Iranian industrial apricots:** 1,600 CFR, MEP firm. **Indian cashews:** raw crop 1997 CFR Europe. W320 at 5,650, W240 at 6,100. **US almonds:** crop 1996 23/25 SSR at 5,900 FAS down a bit; crop 1997 23/35 SSR 4,000 FAS market firm after estimate of 710m LB. No changes after INC congress. **Coconut:** CFR 1,200 for top Philippine mills, stable.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	994	-23	1015	990	4,240	26,627
Sep	1016	-22	1035	1014	2,868	18,597
Dec	1016	-12	1026	1013	861	29,238
Mar	1027	-11	1035	1026	1,713	31,511
May	1039	-11	1049	1040	154	16,285
Jul	1051	-11	1059	1052	205	5,151
Total					10,039	144,166

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1420	-29	1432	1418	7,267	24,243
Sep	1461	-27	1471	1459	3,015	18,576
Dec	1492	-23	1501	1491	1,959	19,996
Mar	1521	-23	1527	1520	7	21,181
May	1537	-25	1541	1541	42	8,564
Jul	1554	-28	1558	1553	-	555
Total					12,310	94,665

■ COCOA (ICCO) (SDR's/tonne)

Jun 3	Price	Prev. day
Daily	1140.45	1145.95

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	2083	-77	2240	2060	3,035	19,125
Sep	2115	-75	2265	2090	3,235	21,697
Nov	2128	-72	2265	2120	704	9,025
Jan	2113	-67	2195	2115	219	2,844
Mar	2093	-57	2100	2090	214	348
May	2093	-67	-	-	-	28
Total					7,399	53,067

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	251.55	-12.65	264.50	250.00	7,153	11,522
Sep	225.10	-7.95	234.00	224.10	3,060	8,139
Dec	190.90	-6.15	198.00	190.00	792	4,941
Mar	174.10	-3.90	183.00	171.25	278	2,182
May	171.00	-1.05	-	-	82	472
Jul	168.50	+2.50	-	-	11	141
Total					11,366	27,480

■ COFFEE (ICO) (US cents/pound)

Jun 3		Prev. day
Comp. daily	186.82	182.84
15 day average	190.27	189.09

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	328.4	-2.4	329.9	327.0	1,596	15,510
Oct	319.2	-2.5	321.2	318.0	1,239	7,157
Dec	318.5	-2.2	318.8	315.5	410	2,527
Mar	316.1	-1.9	318.0	315.0	435	2,158
May	315.6	+0.1	315.0	314.5	9	722
Aug	314.6	+0.8	313.5	312.0	34	595
Total					3,746	29,179

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.51	+0.03	11.58	11.34	20,082	77,212
Oct	11.32	+0.03	11.34	11.16	12,143	56,799
Mar	11.21	+0.06	11.21	11.07	4,592	28,033
May	11.10	+0.04	11.11	11.00	465	6,771
Jul	11.02	+0.06	11.03	10.94	56	3,154
Oct	10.90	+0.06	10.80	10.80	6	854
Total					37,354	168,579

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	73.12	-0.30	73.45	73.00	6,044	33,347
Oct	74.82	-0.13	75.00	74.65	574	4,732
Dec	75.65	-0.11	75.75	75.45	1,779	27,153
Mar	76.80	-0.15	76.80	76.55	200	4,268
May	77.24	-0.36	77.30	77.25	40	1,085
Jul	77.50	-0.45	77.50	77.50	80	404
Total					8,604	73,137

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	79.25	+1.75	79.80	77.75	1,593	15,922
Sep	81.35	+1.80	81.90	80.05	774	8,198
Nov	84.00	+1.90	84.50	82.50	198	3,855
Jan	86.50	+1.60	87.00	84.90	22	1,673
Mar	89.00	+1.60	89.50	88.00	2	1,200
May	91.50	+1.45	-	-	1	285
Total					2,590	31,161

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jun 4	Jun 3	month ago	year ago
2006.4	2007.0	1973.8	2095.2

■ CRB Futures (Base: 1967 = 100)

Jun 3	Jun 2	month ago	year ago
248.44	248.64		

■ GSCI Spot (Base: 1970 = 100)

Jun 3	Jun 2	month ago	year ago
193.42	195.51	194.00	203.31

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-4,250	to	730,350
Aluminium alloy	+420	to	61,980
Copper	+50	to	132,550
Lead	-25	to	117,800
Nickel	-90	to	52,236
Zinc	+1,025	to	423,350
Tin	+30	to	12,385

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	64.125	-0.05	64.450	64.025	6,821	16,922
Aug	64.125	-0.1	64.475	64.025	11,597	47,092
Oct	67.550	-0.025	67.750	67.425	3,198	21,454
Dec	70.125	-0.1	70.250	69.950	1,054	10,885
Feb	70.925	-0.1	71.075	70.900	709	5,517
Apr	72.700	-0.1	72.900	72.650	139	2,240
Total					23,629	104,511

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	81.225	+0.45	81.400	80.775	2,925	8,124
Jul	82.375	+0.225	82.750	81.900	4,020	10,385
Aug	80.625	+0.6	80.800	80.250	2,023	8,365
Oct	73.150	+0.325	73.375	72.950	778	5,976
Dec	70.025	+0.075	70.250	69.900	228	3,570
Feb	68.600	-0.15	69.000	68.400	97	1,497
Total					10,098	39,280

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	90.250	+0.95	91.250	89.400	2,192	5,407
Aug	89.800	+0.55	91.000	89.300	627	1,997
Feb	79.150	-0.4	80.000	78.850	63	441
Mar	78.500	-	-	-	3	12
Total					2,885	7,884

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1575	31	66	28	46
1600	20	54	40	58
1625	12	43	57	72

■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2500	76	80	45	138
2550	50	45	69	171
2600	31	33	101	208

■ COFFEE LIFFE	Jul	Sep	Jul	Sep
2050	124	301	91	236
2100	100	282	117	267
2150	82	268	149	304

■ COCOA LIFFE	Jul	Sep	Jul	Sep
975	28	71	9	30
1000	14	57	20	41
1025	6	45	37	54

■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1850	-	92	22	-
1900	27	64	46	-
1950	10	46	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$18.06-8.24	-0.46
Brent Blend (dated)	$18.37-8.41	-0.19
Brent Blend (Jul)	$18.86-8.90	-0.13
W.T.I.	$20.31-0.34z	-0.06

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$217-219	-2
Gas Oil	$169-172	
Heavy Fuel Oil	$91-92	
Naphtha	$181-183	-0.5
Jet fuel	$187-189	
Diesel	$174-176	-1

■ NATURAL GAS (Pence/therm)		
Bacton (Jul)	10.15-10.25	-0.20

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Jul)	10.180	-0.320

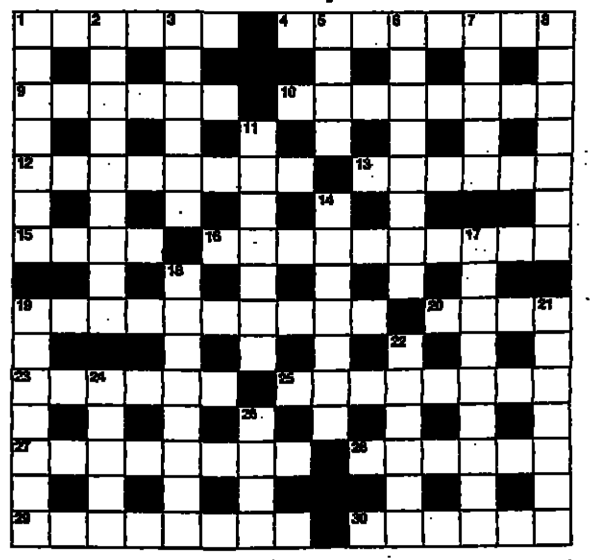
■ OTHER		
Gold (per troy oz)♣	$342.05	-1.10
Silver (per troy oz)♣	475.00c	+1.00
Platinum (per troy oz.)	$419.00	+13.00
Palladium (per troy oz.)	$208.00	+19.50
Copper	123.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.00r	
Tin (New York)	264.5	+2.0
Cattle (live weight)	90.64p	-0.36*
Sheep (live weight)	119.53p	-10.77*
Pigs (live weight)†	99.90p	+0.12*
Lon. day sugar (raw)	$280.00	-1.60
Lon. day sugar (wte)	$393.10	-2.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	72.50p	
Rubber (Aug)♥	72.50p	
Rubber (KL RSS No1)	285.5x	-1.0
Coconut Oil (Phil)§	640.0y	-5.0
Palm Oil (Malay.)§	540.0w	-5.0
Copra (Phil)§	$410.0y	-2.5
Soyabeans (US)	223.0	
Cotton Outlook 'A' Index	80.40c	
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jun y May/Jun ♥ z Jul London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 493 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,393 Set by *DANTE*



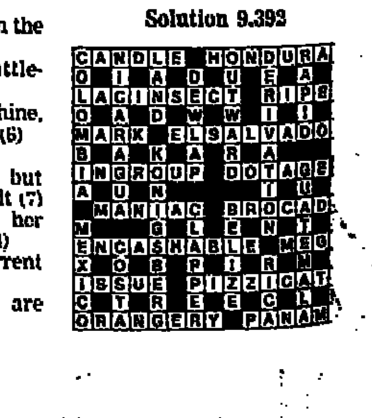
ACROSS

1 Unexpected result of Parnell's policy (6)
4 Quick diet a man ordered (8)
9 Turkish leader about to conclude business (6)
10 Kangaroos are such scamps (8)
12 *Came to an all-night party* with Edward (8)
13 Spent two notes at the entertainment (6)
15 We take turn and turn about in the vessel (4)
16 Take a turn in the air (10)
19 Understanding the purpose of a compass (10)
20 Property stolen from goods wagons (4)
23 Drunken repast comes to a fine end (6)
25 Honoured with high rank in the finish (8)
27 Obtains help that was denied (8)
28 Promise father a part in the *play* (6)
29 Sets aside Tom's battle-scars? (8)
30 Used in a sewing machine, it goes round a screw (6)

DOWN

1 Girl has the goods, but doesn't seem to know it (7)
2 Woman had a rip in her dress and sobbed (4,1,4)
3 Went against the current trend? (6)
5 A time when there are most strikes? (4)
6 Show party promises to l endless (8)
7 Subject those people to th ultimate in abuse (5)
8 Course set south in barr terrain (7)
11 Piled material for Louvre reconstruction (7)
14 Relying on one's inclin *tion* (7)
17 Clue women possibly fir displeasing (9)
18 A banker's order in mi America (8)
19 Tiredness may lead to fa ure under stress (7)
21 Gallery finds finale a we come surprise (7)
22 Chemical result of smokir cannabis (6)
24 Coming before a superi (5)
26 A colour you look well (4)

Solution 9,392



FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Selling Price	+or -	Yield Gr's
Global Cap Portfolio	$4.138	+0.006	-
United States Portfolio	$5.394	-0.029	-
Contl Europe Portfolio	DM7.935	+0.057	-
Japan Portfolio	[illegible]	+0.083	-
Pacific Portfolio	$9.547	-0.030	-
Gold Portfolio	$5.553	-0.038	-
UK Growth of Income	£2.384	+0.004	3.81
Dollar Portfolio	$1.863	—	7.02
Sterling Portfolio	£1.044	—	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 2954 941

	Selling Price	+or -	Yield Gr's
Australasian NAV	A$18.87	+0.06	-
Austrian Nat NAV	Sch69.58	+0.18	-
Belgo/Lux NAV	BFr973.37	+5.05	-
Dutch Nat NAV	D[illegible]52.09	+0.12	-
French Nat NAV	FFr146.74	+1.17	-
German Nat NAV	DM22.69	+0.09	-
Hongkong Nat NAV	HK$146.37	+1.07	-
Italian Nat NAV	L13628	+39	-
Japanese Nat NAV	Y1201	+10	-
Spanish Nat NAV	Pta1765	+42	-
UK Nat NAV	£11.46	-0.09	-
United States Dlr Res	$11.16	—	-

Prices quoted are "A" shares

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 4046[illegible]

Fleming Group - Contd.

	Selling Price	Buying Price	+or -	Yield Gr's
FFF European Smlr Cos F	[illegible]	28.82	(x)	-
FFF Global Conv F	$16.[illegible]	19.75	(x)	-
FFF India H	$10.51	11.12	(x)	-
FFF Intl Bond F	$13.73	14.52	(x)	-
FFF Intl Equity F	[illegible]	91.96	(x)	-
FFF Japanese	$16.77	17.74	(x)	-
FFF Japanese Smlr Cos F	$8.61	8.58	(x)	-
FFF Latin American	$14.74	18.59	(x)	-
FFF Pacific	$24.92	26.36	(x)	-
FFF Sterling Bond	£1.102	1.166	(x)	7.50
FFF UK Enterprise	£5.81	6.14	—	-
FFF US Discovery	$45.50	48.11	(x)	-

Foreign & Colonial Emerging Markets Ltd (u)
Exchange Hs, Primrose St, Ldn, EC2A 2NY 0171-628 1234

Foreign & Colonial Portfolios Fd Sicav (u)
33 Boulevard Prince Henri, L-1724 Lux 00 352 2266 211

	Selling Price	+or -	Yield Gr's
Asn Smlr Cos Eq F	$41.12	+0.16	-
Japanese Smlr Cos Eq F	Y610.00	-4.00	-
European Smlr Cos Eq F	Ecu17.79	+0.01	-
Emerging Asian Eq F	$22.18	-0.12	-

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		225	—	*£28¼	£20¼	1,815	3.0	ϕ
Barlow	‡†	880	+5	£7¼	552	1,373	2.2	13.7
Gold Flds Prop R	†	172½	+5	172½	128	17.7	5.2	12.9
SA Brews		£17[illegible]	+5	£19[illegible]	£13¼	5,221	2.2	ϕ
Standard Bank		£28[illegible]	+5	£28¼	921	3,495	1.3	25.8
Tiger Oats	†	1050	+10	1090	770	1,597	1.8	18.6
Tongaat-Hulett		755	+3½	842	575¼	734.1	2.8	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings'/share.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. F Yield based on prospectus or other official estimates for 1996-97. FD (Foreign Income Dividend). h Figures based on prospectus or other official estimates. G Assumed yield after pending scrip and/or rights issue. R Forecast annualised yield, p/e based on prospectus or other official estimates. g Assumed dividend yield after rights issue. H Yield based on prospectus or other official estimates for 1997. W Pro forma figures. k Assumed dividend yield after scrip issue. Z Dividend yield to date. n Rights issue pending. K Yield based on prospectus or other official estimates for 1995. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. L Estimated annualised yield, p/e based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. M Yield based on prospectus or other official estimates for 1997-98. z Dividend yield includes a special payment. Y Dividend is paid in whole or part as a …

Abbreviations: xd ex dividend; [illegible]

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LONDON STOCK EXCHANGE

FTSE 100 lower for sixth straight session

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The slide in leading stocks on London's equity market was extended to a sixth straight session yesterday – but only just. There were strong gains across the market for all but the last two hours of the trading session.

Those were mainly because of a good rally across the financial sector which had suffered badly both before and after the flotation of Halifax shares.

London's early performance was all the more impressive in that it took place in spite of the concerns about potential interest rate rises in the UK and the US, as well as the uncertainty created by the July 2 budget.

By the close, the FTSE 100 index had dropped 0.7 to 4,557.1, having been up 28.1 in mid-morning, when the banks were responding to a flurry of short covering. There were, however, good gains across the second-liners, represented by the FTSE 250 which settled 5.8 up at 4,467.8. The 250's strength just enabled the FTSE All-Share index to close fractionally higher on the session, up 0.06 at 2,174.47.

The FTSE SmallCap, meanwhile, struggled all day and eventually finished at the session low of 2,277.1, burdened by severe falls in a handful of stocks such as Frost Group, Tunstall and Blick, where losses ranged from 12 per cent to 20 per cent.

Those falls more than offset big gains in TLS, the transport company, and Atlas Converting Equipment, the engineering group, which attracted bids.

Wall Street, whose overnight 22-point gain on the Dow Jones Industrial Average had been instrumental in helping UK shares make early progress, came in easier yesterday. It took its cue from a marginally lower US Treasury bond market, following a bigger-than-expected increase in factory orders.

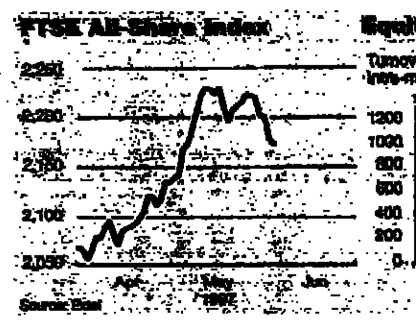
Bond weakness also stemmed from increasing anxiety ahead of Friday's non-farm payroll report, which some observers fear may increase the calls for a rise in US interest rates. The next meeting of the US Federal Reserve's Open Market Committee takes place in less than a month.

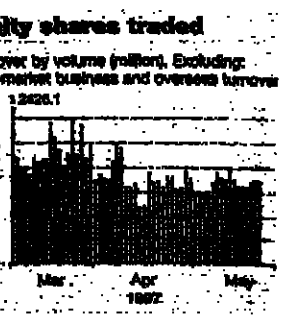
The US employment numbers will be announced after the first meeting of the newly-appointed monetary policy committee set up by Mr Gordon Brown, the chancellor of the exchequer. A number of economists said they expect the new committee to call for a UK rate rise of at least 25 basis points.

"It was not an exciting day," lamented one dealer who said the market needed some corporate activity to shake it out of its current malaise. And he warned that the market is preparing itself for a "radical" Budget which he is convinced will contain some "unpalatable medicine".

The excitement generated by the forthcoming Norwich Union flotation, scheduled for June 16, continued to build with grey market dealings in the shares attracting heavy two-way trading. City Index quoted Norwich shares at 347p-357p at the close, after a session high of 355p. IG Index quoted the stock at 345p-353p.

Turnover in the stock market reached 847.7m shares.





Indices and ratios

FTSE 100	4557.1	–0.7	FT 30	2946.3	+0
FTSE 250	4467.8	+5.8	FTSE Non-Fins p/e	18.50	18.5
FTSE 350	2213.0	+0.3	FTSE100 Fut Jun	4550.0	–8
FTSE All-Share	2174.47	+0.06	10 yr Gilt yield	7.17	7.1
FTSE All-Share yield	3.57	3.57	Long gilt/equity yld ratio	2.01	2.0

Best performing sectors

1 Telecommunications ....+1.4
2 Gas Distribution ....+1.3
3 Oil Exploration & Prod ....+1.3
4 Banks: Retail ....+0.8
5 Utilities ....+0.7

Worst performing sectors

1 Paper: Pkg & Printing ....–1
2 Alcoholic Beverages ....–1
3 Breweries: Pubs & Rest ....–1
4 Water ....–0
5 Pharmaceuticals ....–0

Roadshow boost to Imperial

Imperial Tobacco gave another impressive performance as investors took on board bullish notes following a series of meetings the company held with analysts and institutions this week.

Dealers said they expected further support for the stock as Imperial's executives take their positive message to US investors next week.

The shares, which rose 8½ to 380½p, were helped by a buy note from Goldman Sachs issued yesterday morning. It did not change its forecasts for the company but upgraded it from a "market outperformer" to a "buy" due to recent price weakness in the shares, which were around 438p in March.

Volume was 7.1m, making it the 11th most-heavily traded Footsie stock.

Tobacco stocks have been helped by a Merrill Lynch report on the sector which said the market is resilient and cashflows should be returned to shareholders. Merrill said it expected Gallaher, which rose 2½ early in the day but closed unchanged at 277½p in volume of 11m, to settle at around 300p-320p.

The heavy trading in Gallaher was said to stem from further sales by US funds. American Brands, from which Gallaher has demerged, is almost entirely US owned. Traders said the stock would settle down in about a week or so and until then the price would stay depressed.

However, the Merrill report favoured Imperial as it had "the edge when it comes to strategies in the UK market and taking the initiative overseas". BAT eased a penny to 538½p in volume of 5.4m.

The tobacco sector has underperformed by about 10 per cent in the past 12 months but is up about a third since November. Sentiment was not helped by news in the afternoon that the Israeli government was to sue international tobacco groups.

Vodafone was the star performer of the session as a clutch of broker recommendations boosted the shares following the publication of improved figures on Tuesday. The shares gained 11 to 282¼p, easily the best performer in the Footsie, as turnover soared to a hefty 21m.

ABN Amro Hoare Govett is one of the Vodafone fans and yesterday upgraded its recommendation from "hold" to "undervalued". It raised its profits estimate for the year to March 1998 by £15m to £615m and the following year's figure from £700m to £720m.

Mr James McCafferty at the brokers said: "Vodafone will announce a new branding package in the summer which will strengthen its UK market position."

Lehman Brothers also favours the stock: "We believe that the Vodafone shares offer 20 per cent upside with a target price of 320p (a share) and that encouraging 1996/97 figures should act as a catalyst to release this potential."

But analysts at Kleinwort Benson yesterday took the opposite view and instead advised clients to switch out of Vodafone and into its rival Orange, which firmed to 209p.

Glaxo Wellcome gave up 17 to £11.88p as its American Depositary Receipts (ADRs) fell in New York in line with the mostly weak US drugs sector.

Sentiment in the stock was further weakened by reports that Kleinwort Benson had reiterated its "weak hold" stance on the shares.

Zeneca rose 28 to £18.45½p after it said the US environmental protection agency had registered its new fungicide, Abound, for use on grapes, pecans, peanuts, peaches and bananas. The EPA said the product was a "reduced risk" pesticide since it was less toxic than other registered fungicides.

Premier Oil once again caught the eye, the shares moving up 1¼ to a six-year high of 44p. Volume was 6.4m. The group is scheduled to hold a meeting with analysts later this month.

Signs of life returned to the banking sector following the round of profit-taking which began last week.

HSBC, one of the market's giants, was in demand as the group started a round of presentations to analysts. The shares gained 23¼ to £18.70p. Charterhouse Tilney, among the first to see the banking group, was reported to be predicting that the shares will touch £20 in the next three months.

Meetings with brokers had the opposite effect on Standard Chartered. The shares surrendered 14½ to 928p in trade of 2.7m as analysts pointed to a slowdown in the group's far east markets.

New arrival Halifax bounced 8½ to close at 733p, just ahead of the 732p of the auction of its shares at the beginning of this week. Turnover was 9m, an indication that the large institutions have yet to build substantial weightings in the stock.

In transport, P&O was down 9 to 638p in 1.3m shares on fears of a delay to its merger with Stena on the short Channel routes.

The concern was prompted by the European Commission saying it would extend its investigation into the merger, news which eroded gains made earlier this week after the French competition authorities had given the go-ahead to the merger.

Ladbroke provided a welcome flicker of blue on the screens as the shares rose afresh to close 2½ ahead at 246½p while analysts were on a site visit to the betting and gaming divisions. The shares have enjoyed a run up from 230p in the past few days and traders expect some bullish notes on the company stemming from the visits.

There was also further keen institutional support for Thistle Hotels whose shares put on 5 to 180½p.

British Aerospace, meanwhile, rallied 35 to £12.52½p on hopes that Germany would, after all, back the Eurofighter project.

Defence secretary Mr George Robertson was meeting with his German counterpart Mr Volker Rühe to persuade Germany to finance the production stage.

McKechnie rose 10 to 436½p after Merrill Lynch turned buyer of the stock.

LucasVarity firmed to 184p ahead of an analysts' visit to Perkins next week. A buy note from Flemings suggested the shares have been affected more by investor communications than by deterioration in underlying markets.

Flemings said the shares have found technical support at the 180p level. Since the merger last September, LucasVarity has underperformed the market by 28 per cent while the engineering (vehicles) sector has underperformed by 21 per cent.

Kalamazoo lost some of the gains made when it said on Tuesday it was in takeover talks, and fell 5 to 87½p. Fellow computer company Lynx said it was talking to Kalamazoo, and its shares fell 1½p to 105½p.

FT 30 INDEX

	Jun 4	Jun 3	Jun 2	May 30	May 29	Yr ago	*High	*Low
FT 30	2946.3	2945.9	2942.7	2971.5	2997.8	2792.9	3018.6	2668.8
Ord. div. yield	3.73	3.72	3.72	3.68	3.65	3.99	4.22	3.62
P/E ratio net	17.80	17.83	17.85	18.03	18.18	16.18	18.33	15.80
P/E ratio nil	17.62	17.65	17.67	17.84	17.99	15.96	18.14	15.71

FT 30 since compilation: high 3018.6 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2953.8	2958.0	2958.9	2959.6	2960.7	2959.4	2955.7	2943.0	2945.6	2964.3	2942.5

	Jun 4	Jun 3	Jun 2	May 30	May 29	Yr ago
SEAQ bargains	45,738	48,983	60,715	42,587	41,194	32,505
Equity turnover (£m)†	–	NA	NA	NA	NA	1755.7
Equity bargains†	–	NA	NA	NA	NA	37,969
Shares traded (m)†	–	NA	NA	NA	NA	581.3

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	766	Total Highs	88	Total contracts	55,707
Total Falls	598	Total Lows	69	Calls	34,764
Same	1,709			Puts	20,943

Jun 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (AP

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4565.0	4552.0	-1.0	4595.0	4540.0	16966	67645
Sep	4597.5	4584.0	-1.0	4621.0	4573.0	3395	10761
Dec	4659.0	4633.0	-3.0	4659.0	4635.0	40	733

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4466.0	+6.0	-	-	0	5283
Sep	-	4518.0	+6.0	-	-	0	980

■ FTSE 100 INDEX OPTION (LIFFE) (*4554) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,483	655	532½	Alliance & Leic	[illegible]					
§	F.P.	94.5	1200	820	Aston Villa	[illegible]					
	F.P.	3,880	306½	258½	Cable & Wireless	[illegible]					
	F.P.	-	102	97½	Caradon B	[illegible]					
100	F.P.	25.0	100	100	Downing HI VCT	[illegible]					
§40	F.P.	3.41	42½	30	†Eagles	[illegible]					
*	F.P.	1,915	312½	270½	Gallaher	[illegible]					
*	F.P.	18,398	776	714	Halifax	[illegible]					
§140	F.P.	10.9	147½	98½	Heart of Midlthn	[illegible]					
§	F.P.	7.16	164½	159½	†ITG	[illegible]					
100	F.P.	3.31	110½	102½	†Integrated As Mg	[illegible]					
§110	F.P.	5.17	130½	122½	†Lady in Leisure	[illegible]					
§	F.P.	3.69	119½	112½	Longbridge Intl	[illegible]					
50	F.P.	19.0	54½	47½	†NMT	[illegible]					
§10	F.P.	5.14	14¼	11½	†Newmark Tech	12¼	+¼	-	-	-	-
100	F.P.	8.00	100	100	Perine AIM VCT	100		-	-	-	-
	F.P.	18.1	70½	38½	†Patra Diamonds	65½		-	-	-	-
	F.P.	0.83	49½	13½	†Do Warrants	49½		-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		22.6%	-	1.5	-
§100	F.P.	10.6	108½	102½	†Soccer Investmnt	105½		-	-	-	-
	F.P.	116.7	262½	234½	†Soco Intl	236½		-	-	-	-
§100	F.P.	22.3	111½	107	Topps Tiles	111½		-	-	-	11.7
§3	F.P.	5.04	4	3½	Versatile Group	3½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jun 3	% chg on day	Jun 2	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1525.49	–1.2	1543.98	2374.38	2.22	–	2374.38	1468.90
■ Regional Indices								
Africa (14)	1714.53	–0.4	1721.10	3144.05	5.19	27.24	3144.05	1714.53
Australasia (6)	1755.32	+0.1	1754.12	2677.22	2.98	19.61	2677.22	1739.12
North America (11)	1449.70	–1.7	1474.95	2114.02	0.99	59.70	2114.02	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jun 4	Day's chge%	Jun 3	Jun 2	May 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4557.1	----	4557.8	4562.8	4621.3	3763.4	3.60	2.04	17.02	84.09	1943.29
FTSE 250	4467.8	+0.1	4462.0	4481.9	4495.8	4476.0	3.65	1.58	21.72	73.00	1960.88
FTSE 250 ex IT	4474.3	+0.1	4469.3	4491.0	4505.0	4518.3	3.79	1.61	20.50	74.40	1868.45
FTSE 350	2213.0	----	2212.7	2216.6	2240.8	1899.2	3.61	1.95	17.77	89.91	1926.79
FTSE 350 ex IT	2211.7	----	2211.6	2215.6	2240.2	–	3.64	1.96	17.52	7.54	987.37
FTSE 350 Higher Yield	2152.5	–0.1	2154.2	2156.6	2183.4	1827.1	4.63	1.83	14.77	47.22	1587.64
FTSE 350 Lower Yield	2279.0	+0.1	2276.5	2261.9	2303.3	1978.8	2.55	2.18	22.47	31.99	1624.00
FTSE SmallCap	2277.75	–0.1	2281.01	2291.35	2294.19	2239.10	3.09	1.71	23.69	32.40	1929.95
FTSE SmallCap ex IT	2262.90	–0.2	2267.73	2279.52	2282.52	2239.32	3.32	1.79	21.04	34.36	1932.97
FTSE All-Share	2174.47	----	2174.41	2178.68	2200.91	1885.49	3.57	1.93	18.10	38.60	1921.28
FTSE All-Share ex IT	2172.42	----	2172.63	2177.00	2199.83	-	3.62	1.95	17.71	7.29	987.09

■ FTSE Actuaries Industry Sectors

	Jun 4	Day's chge%	Jun 3	Jun 2	May 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4360.14	–0.1	4365.20	4350.18	4369.33	3462.87	3.50	2.01	17.74	86.03	1952.05
12 Extractive Industries(5)	4329.55	–0.1	4326.52	4360.44	4402.99	4417.90	3.64	2.38	14.40	104.80	1321.57
15 Oil, Integrated(3)	4504.67	–0.3	4517.39	4494.68	4512.78	3492.01	3.71	1.85	17.32	90.91	2073.51
16 Oil Exploration & Prod(12)	3659.68	+1.3	3613.95	3598.86	3601.28	2460.96	1.58	2.22	35.73	37.61	2241.95
20 GEN INDUSTRIALS(268)	1894.93	–0.1	1896.64	1910.46	1923.95	2082.87	4.23	1.91	15.51	34.86	1076.94
21 Building & Construction(35)	1373.22	----	1372.90	1382.83	1389.19	1206.29	3.16	1.88	21.06	24.39	1199.90
22 Building Matls & Merchs(30)	1829.49	+0.2	1826.28	1837.04	1859.41	1910.74	4.38	2.77	10.29	34.97	963.40
23 Chemicals(26)	2397.09	+0.7	2381.61	2380.63	2388.29	2515.86	4.40	1.48	19.25	57.49	1192.70
24 Diversified Industrials(16)	1309.09	–0.3	1313.51	1320.89	1324.91	1678.24	5.68	1.98	11.34	36.57	775.80

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 4 / Sch)

BELGIUM/LUXEMBOURG (Jun 4 / Frs.)

CZECH REP (Jun 4 / Koruna)

DENMARK (Jun 4 / Kr)

FINLAND (Jun 4 / Mkk)

FRANCE (Jun 4 / Frs)

GERMANY (Jun 4 / Dm.)

GREECE (Jun 4 / Drachma)

ITALY (Jun 4 / Lire)

NETHERLANDS (Jun 4 / Fls.)

NORWAY (Jun 4 / Kroner)

POLAND (Jun 4 / Zloty)

PORTUGAL (Jun 4 / Escudo)

SPAIN (Jun 4 / Pts.)

SWEDEN (Jun 4 / Kronor)

SWITZERLAND (Jun 4 / Frs.)

TURKEY (Jun 4 / TK Lira)

PACIFIC

JAPAN (Jun 4 / Yen)

AUSTRALIA (Jun 4 / Aust$)

HONG KONG (Jun 4 / HK $)

INDONESIA (Jun 4 / Rupiah)

MALAYSIA (Jun 4 / MYR)

NEW ZEALAND (Jun 4 / NZ $)

SINGAPORE (Jun 4 / S$)

SOUTH KOREA (Jun 4 / Won)

TAIWAN (Jun 4 / TW $)

THAILAND (Jun 4 / Baht)

AFRICA

SOUTH AFRICA (Jun 4 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 4 / Can $)

4 pm close

MONTREAL (Jun 4 / Can $)

4 pm close

INDICES

	Jun 4	Jun 3	Jun 2	1997 High		1997 Low	
Jakarta Comp.(10/8/82)	693.53	689.49	690.73	712.80	28/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3190.25	3200.43	(c)	3200.25	4/6	2725.07	2/1
Italy							
Banca Comm. Ital(1972)	767.28	763.74	756.98	767.71	10/2	642.85	2/1
MIB General(2/1/97)	1153.0	1140.9	1140.0	1192.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20611.56	20563.16	20451.85	20681.38	4/6	17303.65	10/1
Nikkei 300(1/10/82)	290.29	291.01	291.37	293.84	6/5	261.04	27/1
Turkey							
IMKB Nat 100(1986)	1649.00	1669.09	1656.00	1669.80	3/6	905.00	2/1
WORLD							
MS Capital Intl(1/1/70)	(u)	901.2*	897.7	908.39	28/5	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2357.88	2344.14	2322.89	2370.09	27/5	1993.20	2/1
FTSE E 100(26/6/90)	2000.38	1999.05	1990.58	2020.79	27/5	1592.88	2/1
HSBC JC Drgs(31/12/88)	(u)	420.43	423.12	428.46	28/1	384.84	29/4
MS Emrgs Emrg(7/1/92)	(u)	182.48	181.41	182.48	3/6	158.74	3/1

US INDICES

Dow Jones	Jun 3	Jun 2	May 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7312.15	7289.41	7331.04	7383.41 (27/5)	6391.69 (11/4)	7383.41 (27/5/97)	41.22 (8/7/32)
Home Bonds	102.53	102.37	102.12	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2679.45	2671.79	2684.12	2693.37 (23/5)	2222.07 (2/1)	2693.37 (23/5/97)	13.23 (8/7/32)
Utilities	222.33	221.11	222.00	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7378.96 (7383.84) Low 7225.02 (7244.76) (Theoretical¶)
Day's high 7342.63 (7364.22) Low 7263.78 (7279.96) (Actual¶)

Standard and Poors	Jun 3	Jun 2	May 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	845.48	846.36	848.28	849.71 (27/5)	737.01 (2/1)	849.71 (27/5/97)	4.40 (1/6/32)
Industrials¥	995.21	999.06	1000.53	1008.26 (27/5)	865.42 (11/4)	1008.26 (27/5/97)	3.52 (30/6/32)
Financial	95.67	94.45	95.01	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	442.36	441.54	441.78	442.36 (3/6)	389.47 (11/4)	442.36 (3/6/97)	4.64 (25/4/42)
Amex Comp.	609.02	607.17	605.38	609.02 (3/6)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1384.91	1404.79	1400.32	1410.18 (28/5)	1201.00 (2/4)	1410.18 (28/5/97)	54.87 (3/10/74)

■ RATIOS

	May 30	May 23	May 16	Year ago
Dow Jones Ind. Div. Yield	1.73	1.69	1.71	2.18
	May 28	May 21	May 14	Year ago
S & P Ind. Div. yield	1.67	1.67	1.68	1.88
S & P Ind. P/E ratio	23.86	23.39	23.89	22.38

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Cabletron	25,770,700	30¼	−15¼
Seagate	9,744,500	39¾	−3⅝
Micron	7,711,400	40¼	−3¼
Iomega	8,958,900	19¼	+½
Bay Netwrk	7,186,400	22¾	−2
Compaq	5,222,100	89⅝	−7½
Clmbia HCA	4,566,900	36¼	−⅝
Waste Mngmt	4,351,000	32½	+½
IBM	4,917,500	84¼	−3
Sears Rbck	44,191,300	49¼	+½

■ TRADING ACTIVITY

● Volume (million)

	Jun 3	Jun 2	May 30
New York SE	526.968	432.684	536.564
Amex	22.167	20.475	24.815
NASDAQ	599.922	567.319	731.307
NYSE			
Issues Traded	3,371	3,340	3,351
Rises	1,482	1,539	1,585
Falls	1,024	974	912
Unchanged	865	827	854
New Highs	287	302	171
New Lows	12	6	14

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Jun	2599.0	2614.0	+10.0	2627.0	2592.0	16,685	39,603
Jul	2599.0	2612.0	+10.0	2623.0	2589.0	1,294	3,749
■ DAX							
Jun	3669.0	3660.5	−7.0	3675.0	3647.5	22,944	151,880
Sep	3694.0	3687.5	+1.0	3700.5	3677.0	2,431	11,821
■ OMX							
Jun	2270.00	2271.80	+2.80	2280.00	2264.00	4,748	26,579
Jul	2282.00	2275.25	+2.25	2283.00	2271.25	1,215	1,176
■ SOFFEX							
Jun	5197.0	5212.5	+35.5	5225.0	5189.0	4,624	24,219
Jul	5221.0	5213.5	+58.0	5221.0	5221.0	40	3,477

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	842.60	844.20	+1.05	844.60	842.55	85,678	159,092
Sep	-	851.65	-	-	850.70	9,900	35,671

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	20520.0	20550.0	−10.0	20750.0	20520.0	23,551	204,137
Sep	20580.0	20800.0	+30.0	20780.0	20580.0	14,292	56,037

Open interest figures for previous day.

* Base values of all indices are 100 except Australia All Ord and [illegible] Taiwan Weighted Price [illegible], Korea Comp Ex 756.77. [illegible] † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, June 4, 1997

	Stocks Traded	Closing Prices	Change on day
Keisei Elect Ry	5.6m	717	+26
Kobe Steel	5.1m	228	
Nissan Motor	5.1m	805	+5
Yaskawa Elect	4.7m	476	+32
Nippon Steel Cp	4.7m	353	+6
Fujitsu	4.8m	1460	-10
Nitto Boseki	4.5m	403	+8
Mitsui	4.2m	1040	+20
Hitachi	4.0m	1290	+20
Ebara Corp	3.9m	1790	+60

Prices supplied by Etel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close June 4

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.5	24	650	31¼	31	31⅛	+⅛
43	33⅛	AMP	1.04	2.6	32	1677	40⅝	39⅞	39⅞	-⅝
99¾	78¼	AMR			7	2824	97⅞	97⅛	97⅝	
37⅝	31½	ASA	1.20	3.8	21	273	32	31¾	32	
67⅞	49¾	AbbtL	1.08	1.7	25	4801	63⅛	62⅝	62⅞	-⅛
18⅝	14⅛	Abitibi Pr	0.40	2.2	9	1339	18⅛	18	18⅛	
19⅞	17⅜	ABM Ind	0.40	2.0	18	189	u19⅞	19¾	19¾	
23	17¾	Acceptnsdn			10	29	21⅜	21⅛	21⅜	+⅛
66⅜	58⅛	ACE Ltd	0.88	1.3	10	950	65⅝	64¾	65⅜	+½
10⅜	10	ACM Gvt In x	0.90	8.9	11	231	10¼	10⅛	10⅛	-¼
7⅝	7	ACM GvOpp x	0.63	8.5		46	7½	7⅜	7⅜	-¼
9⅞	9¼	ACM Man x	0.90	9.2		264	9¾	9⅝	9¾	
10½	6¼	Acme Elect				24	7⅛	6⅞	6⅞	-⅛
20	13	Acme Mills				88	16⅝	16	16½	+½
17½	14	ACNielsen			32	796	u17¾	17¼	17¾	+⅜
39⅝	27¼	Acordia x	0.80	2.0	18	120	39½	39½	39½	
29¾	21⅛	Acuson				4188	24⅝	23	23⅛	-⅞
22⅛	19⅜	Adams Expr	0.55	2.5	1	147	u22⅛	21⅞	21⅞	-¼
48½	24⅞	AdvMic				17918	40	38½	38¾	
17¼	10⅜	Advest Grp	0.09	0.2	11	49	16⅜	16⅛	16⅛	-⅛
14⅝	11⅛	Advo Inc			16	157	14¼	14	14⅛	
75⅜	61⅛	Aegon♣	1.45	1.9	21	76	75	74¾	74⅞	+⅛
5⅛	3⅛	Aerflx				205	4⅛	4	4⅛	
44¼	33	Aero-V x	0.80	1.8	12	337	43⅞	43½	43½	-⅛
73⅝	48	AES Corp				20	u74	74	74	+⅜

NYSE PRICES

4 pm close June 4

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
69	51½	Xerox x	1.28	1.9	18	5077	67	65¾	66⅝	
45⅞	40½	Xtra Corp	0.80	1.9	16	31	43⅛	42⅞	42⅞	-½
23⅞	20¾	Yankee Egy x	1.30	5.7	14	34	22⅞	22¾	22¾	-⅜
56	37⅞	York Int	0.48	1.0	15	718	49⅞	49½	49¾	+⅛
5	4	Zapata				734	4½	4⅜	4⅜	
13⅛	9½	ZenithEl				930	11⅛	10⅞	10⅞	-⅜
27⅞	24⅝	Zenith Nat	1.00	3.9	14	75	25⅝	25	25½	+½
7½	7⅛	Zenix Inc	0.73	9.9		60	u7½	7⅜	7⅜	-⅛
23¾	17⅞	Zero x	0.12	0.5	17	55	23¾	22⅞	22⅞	-⅞
11⅞	10½	ZweigFd♣	1.16	10.0		347	u11⅞	11⅝	11⅝	
8¾	8	Zweig Total	0.84	9.6		361	u8¾	8⅝	8⅝	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX PRICES

4 pm close June 4

NASDAQ NATIONAL MARKET

4 pm close June 4

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	33	4	13⅜	13⅜	13⅜	
Kaman Cp	0.44	26	608	u15	14½	14¾	+¼
Kelly Sv x	0.84	14	168	29⅞	28⅝	29⅛	-⅛
Kimball	1.04	14	112	39½	38½	39	-¼
KLA-Tn		24	9947	48⅛	46½	46⅞	+⅝
Koll A			450	0.11	d[illegible]	0.11	
Komag♣		16	10187	27⅞	26	27	+1
Kulicke S			7709	32⅞	30[illegible]	30⅝	-1⅞

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		35	18321	53	50	50⅞	-1⅝
Xircom		19	4893	13[illegible]	12[illegible]	13[illegible]	+[illegible]
Xoma Corp			2319	5[illegible]	5⅛	5[illegible]	
Yellow			788	19⅝	19¼	19⅝	+¼
York Rsch		15	176	7¾	7⅜	7½	
ZionsUtah	0.44	17	1666	31	30	30⅝	-½

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.5		10000	8.25	4.375	Esprit Telecom ADS	US$7.625		0	12.25	5.375
Artwork Systems	US$10.5		111015	11.125	9.5	Innogenetics	US$11.75		56300	12.75	10.375
Dr Solomon's ADS	US$20.825	+0.125	600	26.5	16.875	Mercer Internat	US$11.375		0	11.75	8.125
Chemunex	FFr15	-0.5	41600	18	15.5	PixTech	US$4.25	+0.125	13900	6.125	3.875

Prices for 4/6/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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Dow turns lower as financials weaken

AMERICAS

US blue chips were weakened by the performance of the financial services sector at mid-session while technology stocks attempted a rally after the difficulties they experienced earlier in the week, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average fell 9.01 at 7303.14 at 1pm. At one stage it was down more than 50 points but recovered along with the bond market.

Losses among financial stocks during the morning echoed those in the Treasury market. The benchmark 30-year bond fell 1/32 to 96⅞, yielding 6.867 per cent, in anticipation of key employment figures to be released at the end this week.

Among blue chip groups to suffer were Wells Fargo, which fell $2¼ to $262, and J.P. Morgan, which lost $1⅛ to $107⅞.

The technology-driven Nasdaq composite index enjoyed an early rally after Tuesday's sharp sell-off. However, it had lost 1 at 1,383.91 by lunchtime after several stocks fell. The sell-off began last week when Intel issued a profits warning. The silicon chip giant lost a further $1⅜ at $143⅜ yesterday. However, Seagate Technology and Cabletron, which prompted this week's downturn after warning of worse than expected sales on Tuesday, enjoyed a slight rebound.

Weakness in the financial services sector also hit smaller companies, the performance of which has differed greatly from the blue chips so far this year. The Russell 2000, the index of smaller companies which includes more financial service stocks than any other, lost 0.19 at 383.09.

McDonald's fell $⅝ to $48⅞ after it announced the end of its unsuccessful 55 cent lunch promotion. The fast-food giant also suffered a downgrade from Lehman Brothers.

Ford lost almost 1 per cent or $⅜ to $37⅞ after reporting car sales down 11.8 per cent and truck sales up 5 per cent.

Boeing was the best blue chip performer, gaining $2⅝ or more than 2 per cent at $107⅝.

TORONTO recovered from initial losses to leave the 300 composite index 11.98 ahead at 6,444.70 at the noon calculation.

Flat bullion made for renewed weakness among golds with Barrick dipping 20 cents to C$38.35. Alcan Aluminium came off 40 cents to C$49.60. But solid progress by a number of index heavyweights comfortably restored the balance.

MEXICO CITY continued to push into new high ground as investors digested the latest national economic plan. "The market likes the idea of average growth of 5.2 per cent over the next three years," said one broker. At midsession, the IPC index was up 41.69 at 4,101.75 having risen 2.3 per cent over the first two days of the week.

CARACAS continued to improve. The IBC index, which closed last week at 6,841, had put on 88.50 at 7,131.19 at midsession.

Johannesburg remains firmly on upside

Sentiment in Johannesburg stayed firmly on the upside with the all-share index gaining 60.8 to 7,172.8 to extend its rally to more than 150 points in three days.

Banks and industrials led the way up. Stanbic jumped R3.50 to R213.50 and Nedcor rose R1.50 to R89.

Among industrials, Sappi surged R3.40 or 8.2 per cent to R45 as analysts peered ahead to an earnings recovery in 1998.

At the close, the industrial index was up 91.6 at 8,428.4. Golds provided the starkest contrast, dipping 12.1 to a 50-month low of 1,145.7 on continued bullion weakness.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms May 30 1997	% Change over week	% Change on Dec '96	Local currency terms May 30 1997	% Change over week	% Change on Dec '96
Latin America	(248)	687.37	+2.1	+27.8			
Argentina	(30)	1,128.72	+1.3	+18.7	692,213.47	+1.3	+18.7
Brazil	(68)	559.62	+3.9	+41.2	2,243.25	+4.0	+45.6
Chile	(46)	781.42	+3.2	+26.0	1,310.95	+3.0	+24.3
Colombia[1]	(14)	856.65	-0.5	+35.1	1,631.58	-0.5	+44.6
Mexico	(64)	619.09	-0.8	+18.9	2,112.55	-0.4	+17.5
Peru[2]	(17)	266.40	+5.1	+35.4	434.41	+5.2	+39.1
Venezuela[3]	(9)	788.57	+1.9	+8.0	8,758.74	+1.8	+9.9
Asia	(709)	239.36	+1.7	-3.3			
China[4]	(27)	81.23	+4.0	+10.2	85.03	+4.0	+10.1
South Korea[5]	(156)	81.92	+3.2	+8.0	96.00	+3.3	+11.8
Philippines	(42)	249.99	+7.4	-14.9	318.51	+7.4	-14.6
Taiwan, China[6]	(90)	168.05	-1.5	+9.7	175.83	-1.4	+11.1
India[7]	(77)	94.22	+0.9	+19.6	119.69	+1.0	+19.4
Indonesia[8]	(49)	130.67	+7.9	+2.4	172.66	+7.5	+5.4
Malaysia	(146)	299.12	+1.0	-11.1	277.45	+1.5	-11.6
Pakistan[9]	(28)	228.40	-1.6	+16.7	420.05	-1.6	+17.5
Sri Lanka[10]	(5)	113.77	+2.7	+19.7	144.73	+2.3	+23.0
Thailand	(67)	151.47	-0.5	-31.6	149.89	-3.3	-33.5
Euro/Mid East	(264)	157.14	-0.0	+17.0			
Czech Rep	(7)	54.01	-5.3	-23.9	58.33	-0.6	-8.2
Egypt	(16)	95.45	-3.8	–	95.36	-3.9	–
Greece	(54)	373.28	-6.8	+54.0	689.00	-6.0	+70.1
Hungary[12]	(12)	257.17	+1.9	+30.7	565.62	+2.9	+47.8
Jordan	(7)	198.87	+3.0	+6.5	296.79	+3.0	+6.4
Morocco	(5)	120.49	-3.6	–	123.85	-3.1	–
Poland[16]	(30)	699.11	-0.7	-4.5	1,405.77	-1.1	+8.6
Portugal	(28)	176.04	+0.3	+20.5	208.82	+1.4	+33.9
Russia	(15)	125.91	-1.3	–	129.18	-1.1	–
Slovakia	(5)	108.80	+0.6	–	111.33	+0.1	–
South Africa[13]	(63)	229.08	-1.2	+9.8	211.33	-1.2	+4.9
Turkey[14]	(58)	211.73	+10.6	+42.4	14,041.93	+12.0	+84.2
Zimbabwe[15]	(5)	565.65	+0.7	+17.4	924.47	+0.7	+22.5
Composite	(1221)	324.93	+1.5	+10.1			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

The red chip frenzy that has gripped Hong Kong in the last months of British rule shows no signs of abating, *writes Louise Lucas from Hong Kong.*

Investors' appetite for mainland-backed Hong Kong companies has already broken records for the biggest oversubscription (over 1,200 times for Beijing Enterprises' retail offering) and sparked jostling queues of investors outside banks.

Red chips now make up around 10-15 per cent of the Hong Kong stock market. The companies' share prices have massively outperformed the benchmark Hang Seng index: Shanghai Industrial has increase five-fold since its listing in May 1996 and Beijing Enterprises, the latest entry, saw its share price treble on the first day of trading last week.

As a result, valuations are now sharply out of kilter with the rest of the market, which is trading on a price/earnings multiple of around 14 times.

Brokers – who are making income out of the sector, both through trading and corporate finance activities – admit that investors have lost sight of fundamentals and are buying almost purely on sentiment and in anticipation of cheap asset injection.

Red chips have habitually followed their stock market entry with a purchase of assets from the parent company, bought on favourable terms. There is concern among Beijing's leaders that assets are being sold-off too cheaply to foreigners, and closer monitoring and more stringent rules are expected in the near future.

A clampdown from Beijing stands to temper enthusiasm but not to quash it. Red chips are a key part of China's privatisation programme and it is unlikely to turn the tap off yet.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JUNE 3 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 2 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	232.89	-0.5	211.03	170.91	206.99	203.61	-0.7	3.78	234.01	212.47	172.34	210.01	205.11	234.37	188.44	204.65
Austria (24)	194.86	-0.1	176.57	143.00	174.86	174.80	-0.1	1.88	195.01	177.05	143.61	175.01	174.96	200.52	174.70	195.01
Belgium (26)	248.10	0.3	224.82	182.08	222.64	218.00	0.3	3.28	247.23	224.47	182.07	221.87	217.24	254.98	206.70	209.98
Brazil (30)	263.27	-2.4	238.56	193.21	236.25	519.15	-2.3	1.39	269.59	244.77	198.54	241.94	531.28	269.59	162.65	168.31
Canada (112)	208.56	0.7	188.99	153.06	187.15	207.62	0.5	1.88	207.10	188.03	152.52	185.88	206.63	209.45	154.12	165.12
Denmark (32)	379.40	0.1	343.79	278.43	340.46	339.20	0.1	1.49	379.05	344.15	279.16	340.17	338.90	390.15	292.69	293.23
Finland (28)	271.39	0.5	245.92	199.16	243.53	294.67	0.0	1.58	270.06	245.19	198.88	242.36	294.62	279.84	186.67	199.44
France (91)	215.49	1.0	195.27	158.15	193.38	198.83	1.0	2.88	213.42	193.77	157.17	191.53	194.94	232.34	186.94	196.70
Germany (58)	210.09	0.5	190.38	154.18	188.53	188.53	0.5	1.50	209.11	189.86	154.00	187.66	187.66	216.90	168.08	168.08
Hong Kong (66)	522.41	-1.2	473.38	383.39	468.80	519.39	-1.2	2.91	528.88	480.19	389.49	474.63	525.85	528.88	407.55	432.35
Indonesia (27)	244.38	-0.4	221.43	179.33	219.28	364.20	-0.5	1.57	245.35	222.76	180.68	220.18	365.97	–	–	–
Ireland (16)	336.66	-0.6	305.06	247.08	302.12	319.22	0.2	3.05	339.38	308.12	249.92	304.55	318.69	350.96	270.08	282.78
Italy (59)	88.22	0.8	79.94	64.75	79.17	111.81	0.7	2.25	87.56	79.50	64.48	78.58	111.08	96.32	73.26	82.18
Japan (485)	133.28	0.6	120.77	97.81	119.60	97.81	0.2	0.81	132.51	120.31	97.58	118.92	97.59	158.25	107.57	153.72
Malaysia (107)	541.84	0.6	490.98	397.64	486.23	525.36	0.7	1.30	538.89	489.28	396.86	483.62	521.91	660.85	510.10	553.98
Mexico (27)	1463.26	1.8	1325.94	1073.86	1313.09	12650.05	1.6	1.19	1438.01	1305.62	1059.01	1290.51	12450.63	1463.26	1110.35	1245.21
Netherland (19)	374.11	0.4	339.00	274.55	335.72	331.66	0.4	2.36	372.67	338.36	274.45	334.44	330.40	392.16	279.88	298.01
New Zealand (14)	90.14	-0.2	81.68	66.15	80.89	69.51	-0.2	4.14	90.31	82.00	66.51	81.05	69.67	95.60	75.94	78.24
Norway (41)	316.09	0.9	286.43	231.97	283.65	305.68	0.4	2.01	313.19	284.36	230.65	281.07	304.42	321.23	246.04	251.04
Philippines (22)	171.51	-0.9	155.41	125.87	153.91	225.35	-0.9	0.83	173.10	157.17	127.48	155.35	227.52	–	–	–
Singapore (42)	394.10	-0.4	357.12	289.22	353.66	259.98	-0.5	1.16	395.78	359.34	291.47	355.18	261.21	448.01	360.08	413.03
South Africa (44)	356.78	0.9	323.30	261.83	320.17	349.82	0.9	2.46	353.52	320.97	260.34	317.25	345.54	370.12	301.49	363.25
Spain (35)	248.27	1.8	224.97	182.20	222.79	274.23	1.8	2.36	243.81	221.36	179.55	218.80	269.43	262.42	171.91	175.56
Sweden (49)	453.17	1.0	410.64	332.58	406.67	520.11	0.5	2.00	448.79	407.47	330.51	402.76	517.57	467.61	334.35	353.91
Switzerland (35)	292.77	0.6	265.30	214.86	262.73	260.66	1.1	1.28	290.95	264.16	214.27	261.11	257.96	299.90	230.41	232.86
Thailand (43)	64.18	-1.2	58.16	47.10	57.59	62.02	-1.0	5.04	64.97	58.98	47.85	58.31	62.66	177.87	59.76	177.97
United Kingdom (212)	294.51	0.0	266.87	216.14	264.29	266.87	-0.2	3.74	294.40	267.29	216.81	264.20	267.29	303.18	229.63	235.35
USA (650)	342.43	-0.4	310.29	251.30	307.29	342.43	-0.4	1.79	343.67	312.02	253.09	308.41	343.67	343.87	254.79	271.93
Americas (819)	313.67	-0.3	284.23	230.20	281.46	264.09	-0.3	1.78	314.67	285.70	231.74	282.39	264.95	314.74	233.09	248.52
Europe (726)	257.92	0.6	233.72	189.28	231.45	239.53	0.4	2.66	256.75	233.11	189.08	230.41	238.60	264.79	204.71	209.94
Nordic (150)	391.27	0.8	354.55	287.15	351.12	387.94	0.3	1.86	388.30	352.55	285.96	348.47	386.57	401.56	291.45	303.17
Pacific Basin (882)	152.07	0.3	137.80	111.60	136.47	112.25	0.0	1.27	151.65	137.69	111.68	136.09	112.25	170.85	127.18	166.90
Euro-Pacific (1608)	196.25	0.4	177.84	144.03	176.11	160.35	0.2	2.03	195.52	177.52	143.99	175.46	160.00	196.16	173.55	184.73
North America (762)	334.30	-0.3	302.92	245.33	299.99	333.54	-0.3	1.79	335.38	304.46	246.95	300.94	334.60	335.55	248.65	265.30
Europe Ex. UK (514)	232.34	0.7	210.54	170.51	208.50	219.10	0.7	2.05	230.74	209.49	169.93	207.07	217.57	239.98	185.65	191.06
Pacific Ex. Japan (397)	313.66	-0.6	284.22	230.19	281.47	274.58	-0.7	2.72	315.61	286.55	232.43	283.24	276.44	320.65	266.97	266.99
World Ex. US (1821)	199.83	0.4	181.08	146.65	179.33	166.77	0.2	2.02	199.08	180.75	146.61	178.66	166.40	201.44	178.94	196.13
World Ex. UK (2259)	240.39	0.0	217.83	176.42	215.72	212.05	0.0	1.71	240.31	218.18	176.97	215.66	212.13	241.02	199.58	210.41
World Ex. Japan (1986)	302.61	-0.1	274.21	222.08	271.56	292.69	-0.1	2.13	302.84	274.96	223.02	271.78	292.99	305.11	253.10	245.13
The World Index (2471)	245.06	0.0	222.06	179.84	219.91	217.16	-0.1	1.91	244.97	222.42	180.41	219.65	217.26	246.21	202.32	212.86

Latest prices were unavailable for this edition.

Firm dollar helps Paris advance

EUROPE

Closing ahead of the announcement of Mr Lionel Jospin's new cabinet line-up, PARIS continued to make modest headway.

Bonds wobbled, but a firmer dollar and a burst of speed from Rhône-Poulenc helped the CAC 40 index to a gain of 10.88 to 2,635.37 in good volume.

Rhône-Poulenc shot forward on news of Phase Two clinical trials in the US for an anti-Aids drug, rising Fr10.20 or 5.4 per cent to FFr199.80 in 2.7m traded.

Sanofi was also in demand, driving up by FFr17 or 3.3 per cent to FFr516 after an upbeat annual meeting.

Dollar strength created mixed fortunes among oils, Elf Aquitaine rising FFr11 to FFr630 but Total slipping FFr7 to FFr528.

Accor's annual meeting created initial enthusiasm, the shares climbing to FFr868. But profit-takers eventually won a two-way tussle and the hotels group ended off FFr10 at FFr839.

Canal Plus, which announced solid looking first quarter turnover figures, rose FFr27 to FFr1,024. CFSB raised Moulinex to a "buy" and the shares added FFr3.10 at FFr141.60.

AMSTERDAM pushed up to a record high on the AEX index, which rose 5.13 to 817.12 following another strong day for Philips, the index heavyweight.

KNP turned in the best performance amid investor excitement over the group's plans to split itself into two companies. The shares traded 7.7m, their heaviest volume this year, to close up Fl 3.90 at Fl 74.60 for a three-day advance of more than 10 per cent.

Philips continued to respond warmly to the recent strong buy recommendation from Morgan Stanley, adding Fl 4.20 at Fl 117.90 in 5.1m traded. Hoogovens jumped Fl 5.20 to Fl 104.10 on talk of improving European steel prices.

Chemicals were dull. Goldman Sachs shifted its chemicals portfolio around, giving an extra weight to Akzo Nobel and removing DSM. The former dipped Fl 12.50 to Fl 253.20 while DSM lost Fl 2.40 to Fl 188.30.

ZURICH, also dollar sensitive, hit a second straight high with the SMI index 31.3 to the good at 5,238.5. In banks, CS Group leapt SFr7 to SFr193.25 on divestment rumours.

In industrials, the best gains came just below the top echelon: Holderbank, the cement group, rose another SFr23 to SFr1,322 following Tuesday's rise of SFr19 when UBS added the stock to its European focus list; and Sulzer, the engineer, put on SFr26 at SFr1,190.

FRANKFURT's early and continuing enthusiasm over the resolution to the government's gold revaluation plans was tempered subsequently by a firmer dollar and the easier early tone on Wall Street. The Ibis-indicated Dax finished 4.00 weaker at 3,651.59 as turnover rose from DM9.4bn to DM11.6bn.

Car stocks benefited during the morning from a positive set of US sales figures, but ended the day mixed. Daimler-Benz lost 70 pfg to DM134.0 and BMW finished DM6.10 lower at DM1,416.90, but VW climbed DM11.10 to DM1,186.10 on further foreign demand.

A 35 pfg rise in Lufthansa to DM29.60 was also attributed to demand from international investors.

Continental, which announced a 47 per cent increase in pre-tax profit in the first five months of the year, gave up 5 pfg at DM39.

Fresenius Medical Care, formed last year, rose DM5 to DM155.50 after announcing that it expected to pay a dividend in 1997.

MILAN edged higher as Emu tensions eased and the Comit index picked up 3.96 to 767.20.

Ciga, the hotels group, added another L38.7 or 4.6 per cent at L872 on the view that ITT might sell the company or some of its assets to defend itself against a hostile bid from Hilton.

Analysts put a likely selling price of up to L1,100 a share for the whole of Ciga.

Ifil was up L165 at L5,235 and IFI preference rose L216 at L21,400 after the Ifil chairman told analysts that he expected further improvement in the company's 1997 net profit.

San Paolo recovered L43 to L8,615 after seeing some recent selling pressure after its public offering.

MADRID flattened out, the general index coming in 0.80 higher at 557.47. Pryca, the supermarket group, fell Pta70 or 2.6 per cent to Pta2,630 on slightly lower sales for the first five months of 1997.

BRUSSELS seemed underwhelmed by the news that the Belgian government, in the fall-out from the Suez/Lyonnaise merger in France, favoured a utilities merger between Tractebel – owned by Société Générale de Belgique, itself a Suez subsidiary – and its Electrabel unit, the largest-cap stock on the Brussels bourse.

Electrabel fell BFr50 to BFr7,790. However, the Bel-20 index managed a second successive peak, up 3.63 at 2,284.40; Union Minière rose BFr75 to BFr3,040 and GIB, the retailer, by BFr45 to BrFr1,640.

COPENHAGEN's KFX index rose 1.51 to 167.45 ahead of today's holiday. Tele Danmark, Denmark's national telecoms operator, recovered from a recent bearish bout with a gain of DKr14 at DKr335 but Carlsberg saw its B shares DKr10 down at DKr378; UBS said it might cut its year profit forecasts for the brewer, but that it would maintain its hold recommendation after slightly disappointing first half results.

HELSINKI saw Valmet, the paper machine maker, lose FM3.20 at FM90.30, brokers saying that its forecast of unchanged profits this year was more cautious than expected.

The Hex index came in 8.12 lower at 3,077.10.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Jun 4 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2356.52	2356.00	2358.17	2357.53	2358.35	2358.92	2357.45	2357.69
FTSE Eurotrack 200	2380.00	2378.84	2380.16	2376.75	2378.09	2374.10	2372.66	2372.87

	Jun 3	Jun 2	May 30	May 29	May 28
FTSE Eurotrack 100	2344.14	2322.89	2312.25	2342.35	2352.28
FTSE Eurotrack 200	2365.99	2358.80	2351.37	2381.16	2386.28

Base value 1000 (26/10/90); High/day: 100 - 2359.15; 200 - 2382.09 Low/day: 100 - 2356.04 200 - 2370.67. † Partial.

Foreign demand takes Tokyo to high

ASIA PACIFIC

Continued buying by foreign securities houses absorbed waves of selling by domestic institutions, driving TOKYO to another 1997 closing high, *writes Gwen Robinson.*

The market responded favourably to the Japanese government's adoption on Tuesday of a package of spending cuts, designed to overhaul the country's deficit. However, stocks suffered in sectors destined for big cuts, including general contractors and defence manufacturers.

The Nikkei 225 average rose 48.40 to 20,611.56 after moving between 20,512.25 and 20,707.77.

Trading began on a positive note following the previous day's advance and share prices rallied in the afternoon after dipping briefly on profit-taking. However, the 225 index faced selling pressure at the 20,500 level

Volume eased from 439m shares to an estimated 382m. Advances led declines by 563 to 511 with 168 unchanged. The Topix index of all first-section stocks rose 6.34 to 1,518.27 and the capital-weighted Nikkei 300 was up 1.38 at 293.29.

Construction stocks were hit by the government's approval on Tuesday of a 7 per cent cut in public works spending in the fiscal year starting next April. Obayashi fell Y23 to Y700, and Taisei by Y2 to Y502.

High-technology and electrical stocks were mixed after the sector fell back overnight in New York. Some leading semi-conductor-related issues drew heavy buying interest. Advantest jumped Y370 to Y8,450, Kyocera Y600 to Y9,110 and Tokyo Electron Y110 to Y5,820.

However, Sony fell Y100 to Y10,000, TDK Y60 to Y8,990 and Fujitsu Y10 to Y1,460.

Leading commercial banks retreated. Bank of Tokyo-Mitsubishi fell Y20 to Y2,030, Fuji Bank Y20 to Y1,540 and Sumitomo Bank Y20 to Y1,670. Nippon Credit Bank fell Y4 to Y246 following its decision to proceed with a massive new share issue.

In Osaka, the OSE average added 73.35 to 21,342.84 and volume increased to 16m shares. In London, the ISE/Nikkei 50 index rose 4.32 to 1,606.97.

JAKARTA ended lower, dragged down by profit-taking in the index heavyweight, Telkom. The composite index closed 4.86 lower at 693.54 after a session low of 690.52.

Telkom came off Rp110 to Rp4,000. Surya Semesta rose Rp50 to Rp1,225 in 29.5m shares traded amid talk that a local conglomerate or foreign investors might take a stake. Intikeramik made a sparkling debut, closing at Rp925 against a flotation price of Rp750.

BANGKOK ended lower in sluggish trade with finance and building materials shares leading the decline.

The SET index ended 3.70 off at 552.87 on Bt2.7bn turnover. Finance One was again the most active stock, slipping Bt0.50 to Bt5.20 in turnover of Bt175m.

SYDNEY had a mixed session, closing with the All Ordinaries index up 2.3 at 2,615.9. Coca-Cola Amatil jumped 70 cents or 4.6 per cent to A$16.10 on news of the share swap deal with San Miguel under which it will acquire the Philippine group's soft drinks operations. Commonwealth Bank added 31 cents at A$14.27 after renewed talk of a share buy-back.

SINGAPORE drifted down, and in the continuing absence of compelling reason for investors to jump into the market, further sideways shifts and downward drifts were likely in coming months, analysts said.

The Straits Times industrials index fell 13.33 to 2,047.89.

DBS Land reacted badly to Tuesday's announcement of a planned placement of 92m shares. The shares fell below the S$4.75 placement price but closed down 24 cents on the day at S$4.76.

KUALA LUMPUR reversed a fortnight-long rising trend as technical and foreign fund selling pulled down blue chips and the weaker tone spread over to the broader market. The composite index lost 7.55 to 1,119.28 and the second board index eased 8.3 to 554.62.